

**CITY OF NEGAUNEE, MICHIGAN**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>City of Negaunee, Michigan</u>		County <u>Marquette</u>
Audit Date <u>12/31/04</u>	Opinion Date <u>2/4/05</u>	Date Accountant Report Submitted to State: <u>4/15/05</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Anderson, Tackman &amp; Co PLC</u>			
Street Address <u>102 W. Washington, Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>Rebecca Hills CPA</u>			

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Negaunee, Michigan, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, major funds and remaining fund information of the City of Negaunee, Michigan at December 31, 2004, and changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the City of Negaunee, Michigan adopted provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, as of January 1, 2004. This results in a change in the format and content of the basic financial statements.

The Management Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 49 through 55 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have

To the Honorable Mayor and City Council  
City of Negaunee, Michigan 49866

applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2005, on our consideration of City of Negaunee, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund schedules listed as other financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Negaunee, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

February 4, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Negaunee's financial performance provides an overview of the City's financial activities for the year ended December 31, 2004. Please read it in conjunction with the financial statements, which begin on page 13.

### FINANCIAL HIGHLIGHTS

- The City's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the City as a whole decreased by \$285,983 as a result of this year's operations. Net assets of our business-type activities increased by \$38,307, or 0.3 percent, and net assets of our governmental activities decreased by \$324,290, or 8 percent.
- During the year, the City had expenses for governmental activities that were \$4,343,967 and generated \$4,019,677 in general revenues and other program sources.
- The City's business-type activities had expenses of \$3,849,562 and generated \$3,887,869 in revenues.
- The general fund reported a net change in fund balance of \$(493,111).

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, electric, water and cable systems and activities are reported here.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds

### The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

## The City as a Whole

Table I provides a summary of the City's net assets as of December 31, 2004.

Table 1 Net Assets			
	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004
Current and other assets	\$2,653,623	\$6,321,343	\$8,974,966
Noncurrent assets	-	781,434	781,434
Capital assets, net	<u>2,701,626</u>	<u>10,796,605</u>	<u>13,498,231</u>
Total Assets	5,355,249	17,899,382	23,254,631
Current liabilities	1,490,664	755,295	2,245,959
Noncurrent liabilities	<u>277,320</u>	<u>6,013,006</u>	<u>6,290,326</u>
Total Liabilities	1,767,984	6,768,301	8,536,285
Net Assets:			
Invested in capital assets, net of related debt	2,564,756	5,946,605	8,511,361
Restricted	89,057	226,000	315,057
Unrestricted	<u>933,452</u>	<u>4,958,476</u>	<u>5,891,928</u>
Total Net Assets	<u>\$3,587,265</u>	<u>\$11,131,081</u>	<u>\$14,718,346</u>

Net assets of the City's governmental activities stood at \$3,587,265. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$933,452.

The \$933,452 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$11,131,081. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

Table 2 Change in Net Assets			
	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004
Revenues			
Program revenues:			
Charges for services	\$862,107	\$3,804,492	\$4,666,599
Operating grants and contributions	876,865	-	876,865

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004
General Revenues:			
Property taxes	\$1,319,050	\$ -	\$1,319,050
Unrestricted intergovernmental sources	614,596	-	614,596
Investment earnings	27,545	71,199	98,744
Miscellaneous	43,814	12,178	55,992
Total Revenues	<u>3,743,977</u>	<u>3,887,869</u>	<u>7,631,846</u>
Program Expenses:			
General government	1,425,289	-	1,425,289
Public health and safety	799,613	-	799,613
Public works	1,635,605	-	1,635,605
Parks and recreation	185,789	-	185,789
Cemetery	118,145	-	118,145
Library	140,576	-	140,576
Interest on long-term debt	2,820	-	2,820
Depreciation – unallocated	36,130	-	36,130
Sewer	-	948,608	948,608
Electric	-	1,440,826	1,440,826
Water	-	798,913	798,913
Cable	-	385,515	385,515
Total Expenses	<u>4,343,967</u>	<u>3,573,862</u>	<u>7,917,829</u>
Excess (deficiency) before transfers	(599,990)	314,007	(285,983)
Transfers	275,700	(275,700)	-
Increase (decrease) in net assets	(324,290)	38,307	(285,983)
Net assets, beginning	3,911,555	11,092,774	15,004,329
Net Assets, Ending	<u>\$3,587,265</u>	<u>\$11,131,081</u>	<u>\$14,718,346</u>

The City's total revenues were \$7,631,846. The total cost of all programs and services was \$7,917,829, leaving a decrease in net assets of \$285,983. Our analysis below separately considers the operations of governmental and business-type activities:

**Governmental Activities**

The net assets of the governmental activities decreased by \$324,290. The net decline is due mainly to expenditures increasing while revenues are decreasing. There was a decrease in the City's State revenue sharing of approximately \$150,000 or 20%. Consequently, there was an increase in general fringe benefits of approximately 14%, legal expenditures of approximately \$80,000 and an increase in street maintenance with the addition of two unbudgeted employees in 2004.

Table 3 presents the cost of each of the three largest programs – General Government, Public Works and Public Health and Safety, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

<b>Table 3</b>		
<b>Governmental Activities</b>		
	Total Cost of Services	Net Cost of Services
General government	\$1,425,289	\$(1,288,329)
Public works	1,635,605	(208,454)
Public health and safety	799,613	(788,355)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### ***Business-type Activities***

The net assets of the business-type activities increased \$38,307. The net increase is a combination of increases in the Electric and Cable funds where charges for services were enough to cover all expenses combined with decreases in the Sewer and Water funds where charges for services did not cover all expenses.

### **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a *combined* fund balance of \$1,216,620, a decrease of \$658,774 from the beginning of the year.

The total decline of \$658,774 consists primarily of a decline in the General Fund of \$493,111, a decline in the Major Street Fund of \$117,287 and a decline in the Economic Development Fund of \$52,004 combined with net increases in other governmental funds of \$3,628.

The decline in the General Fund is due mainly to the following reasons:

- Decreases in State revenue sharing of \$150,000 or 20%
- Increase in legal expenditures of approximately \$80,000
- Increase in fringe benefits of approximately 14%
- Increase in capital outlay of \$160,000 for the purchase of a fire truck

The decline in the Major Street Fund is due mainly to a small increase in State funding combined with large increases in winter maintenance and street surfacing expenditures. The decline in the Economic Development Fund is due to using existing funds for community development.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the budget a few times.

Significant revisions to the budget included the following:

- Lowering the State revenue sharing budget based on actual amounts received from the State.
- Increasing the City Council and City Attorney budgets for increased legal expenditures incurred
- Lowering the Public Works budget for projects not started in 2004
- Increasing the Capital Outlay budget for purchases of a fire truck, cemetery truck and cemetery tree removal

With these adjustments, actual charges to expenditures were \$177,424 more than the final amended budget. Conversely, revenues were \$62,769 more than the final budget projection.

The main reason actual revenues and expenditures exceeded the final budget projections was related to a U.S. Army Corp of Engineers grant project for Ann Street improvements. The U.S. Army Corp of Engineers administered this project on behalf of the City. However, since the City must record all infrastructure assets under GASB No. 34 and a City street was improved, the City recorded grant revenue for \$154,700 and a corresponding capital expenditure of \$154,700 related to this project. The net effect to the City's general

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

fund balance is zero. As the City did not control the project, the City could not budget an amount in the General Fund revenues and expenditures for this project.

**CAPITAL ASSET AND DEBT ADMINISTRATION****Capital Assets**

At the end of fiscal 2004, the City had \$13,498,231 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities – 2004	Business-type Activities – 2004	Totals- 2004
Land	\$1,090,635	\$ -	\$1,090,635
Construction in progress	-	52,466	52,466
Buildings and improvements	977,071	10,121,084	11,098,155
Equipment and furnishings	465,320	623,055	1,088,375
Infrastructure	168,600	-	168,600
Totals	<u>\$2,701,626</u>	<u>\$10,796,605</u>	<u>\$13,498,231</u>

In 2004, the City's major capital additions included a fire truck, DPW pickup truck, cemetery dump truck, police car and street improvements to Ann Street. In 2005, the City plans no capital equipment purchases and only one (1) major capital project (Snow & Cyr Street).

**Debt**

At year-end, the City had \$6,723,165 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities – 2004	Business-type Activities – 2004	Totals- 2004
Bonds	\$ 80,000	\$4,850,000	\$4,930,000
Contracts and notes payable	56,870	1,736,295	1,793,165
Totals	<u>\$136,870</u>	<u>\$6,586,295</u>	<u>\$6,723,165</u>

Further details on long-term debt can be found in Note G. The City issued \$80,000 in General Bonds this year to help cover the cost of a new fire truck.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The City's elected and appointed officials consider many factors when setting the fiscal year 2005 budget. One of those factors is the economy.

The City continues to experience declines in State revenue sharing as well as a stagnant tax base while expenditures such as employee fringe benefits continue to rise. The City has addressed these concerns in the next year's budget by postponing projects, cutting all capital equipment purchases, reduction of employees through early retirements/ attrition and other general cost reduction measures.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Negaunee, P.O. Box 70, Negaunee, Michigan, 49866.

**City of Negaunee, Michigan**  
**STATEMENT OF NET ASSETS**  
December 31, 2004

	<u>Governmental Activities</u>	<u>Primary Government Business Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,021,870	\$ 3,388,126	\$ 4,409,996
Restricted assets - cash	-	2,594,461	2,594,461
Receivables (net)	1,631,753	338,756	1,970,509
Other current assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>2,653,623</u>	<u>6,321,343</u>	<u>8,974,966</u>
Noncurrent assets:			
Unamortized bond issue costs	-	82,549	82,549
Investment in U.P.P.A. Electric Utility	-	155,010	155,010
Investment in Joint Water Authority	-	543,875	543,875
Capital assets:			
Land and construction in progress	1,090,635	52,466	1,143,101
Other capital assets	9,302,554	19,395,569	28,698,123
Accumulated depreciation	(7,691,563)	(8,651,430)	(16,342,993)
Total Capital Assets	<u>2,701,626</u>	<u>10,796,605</u>	<u>13,498,231</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,701,626</u>	<u>11,578,039</u>	<u>14,279,665</u>
<b>TOTAL ASSETS</b>	<u>5,355,249</u>	<u>17,899,382</u>	<u>23,254,631</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	125,843	156,621	282,464
Accrued liabilities	28,267	46,659	74,926
Compensated absences	40,356	64,932	105,288
Deferred revenue	1,280,238	-	1,280,238
Current portion of bonds payable	10,960	114,000	124,960
Current portion of notes payable	5,000	154,587	159,587
Other current liabilities	-	218,496	218,496
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,490,664</u>	<u>755,295</u>	<u>2,245,959</u>
Noncurrent Liabilities:			
Compensated absences	156,410	-	156,410
Bonds payable	69,040	4,736,000	4,805,040
Long-term contracts and notes payable	51,870	1,581,708	1,633,578
Less deferred discount on refunding	-	(304,702)	(304,702)
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>277,320</u>	<u>6,013,006</u>	<u>6,290,326</u>
<b>TOTAL LIABILITIES</b>	<u>1,767,984</u>	<u>6,768,301</u>	<u>8,536,285</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	2,564,756	5,946,605	8,511,361
Restricted for:			
Debt Service	-	226,000	226,000
Other activities	89,057	-	89,057
Unrestricted	933,452	4,958,476	5,891,928
<b>TOTAL NET ASSETS</b>	<u>\$ 3,587,265</u>	<u>\$ 11,131,081</u>	<u>\$ 14,718,346</u>

The accompanying notes are an integral part of these financial statements.

**City of Negaunee, Michigan**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business Type Activities
<b>Primary Government:</b>						
Governmental Activities:						
General government	\$ 1,425,289	\$ 17,009	\$ 119,951	\$ -	\$ (1,288,329)	\$ -
Public health and safety	799,613	7,096	4,162	-	(788,355)	-
Public works	1,635,605	680,932	746,219	-	(208,454)	-
Parks and recreation	185,789	116,840	-	-	(68,949)	-
Cemetery	118,145	40,230	-	-	(77,915)	-
Library	140,576	-	6,533	-	(134,043)	-
Interest on long-term debt	2,820	-	-	-	(2,820)	-
Depreciation - unallocated	36,130	-	-	-	(36,130)	-
<b>Total Governmental Activities</b>	<b>4,343,967</b>	<b>862,107</b>	<b>876,865</b>	<b>-</b>	<b>(2,604,995)</b>	<b>-</b>
<b>Business Type Activities:</b>						
Sewer	948,608	869,953	-	-	-	(78,655)
Electric	1,440,826	1,783,228	-	-	-	342,402
Water	798,913	756,706	-	-	-	(42,207)
Cable	385,515	394,605	-	-	-	9,090
<b>Total Business Type Activities</b>	<b>3,573,862</b>	<b>3,804,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230,630</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,917,829</b>	<b>\$ 4,666,599</b>	<b>\$ 876,865</b>	<b>\$ -</b>	<b>(2,604,995)</b>	<b>230,630</b>
						<b>(2,374,365)</b>
General Revenues:						
Property taxes					1,319,050	1,319,050
Unrestricted intergovernmental sources					614,596	614,596
Interest and investment earnings					27,545	71,199
Miscellaneous					43,814	12,178
Transfers					275,700	(275,700)
					-	-
<b>TOTAL GENERAL REVENUES, TRANSFERS,</b>					<b>2,280,705</b>	<b>(192,323)</b>
<b>CHANGE IN NET ASSETS</b>					<b>(324,290)</b>	<b>38,307</b>
Net assets, beginning of year					3,911,555	11,092,774
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 3,587,265</b>	<b>\$ 11,131,081</b>
						<b>\$ 14,718,346</b>

The accompanying notes are an integral part of these financial statements.

**City of Negaunee, Michigan**  
**GOVERNMENTAL FUNDS**  
 Balance Sheet  
 December 31, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 672,092	\$ 351,642	\$ 1,023,734
Accounts receivable, net	87,215	615	87,830
Taxes receivable	921,433	-	921,433
Due from other governments	215,907	64,967	280,874
Due from other funds	380,042	-	380,042
Other assets	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,276,689</b>	<b>\$ 417,224</b>	<b>\$ 2,693,913</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Cash overdraft	\$ -	\$ 1,864	\$ 1,864
Accounts payable	111,808	14,035	125,843
Accrued salaries	28,267	-	28,267
Accrued sick and vacation leave	2,655	-	2,655
Due to other funds	23,098	15,328	38,426
Deferred revenue	1,280,238	-	1,280,238
<b>TOTAL LIABILITIES</b>	<b>1,446,066</b>	<b>31,227</b>	<b>1,477,293</b>
<b>FUND BALANCE:</b>			
Reserved for:			
Capital outlay	-	-	-
Other	-	89,057	89,057
Unreserved, reported in:			
General Fund - Designated	288,111	-	288,111
General Fund - Undesignated	542,512	-	542,512
Special Revenue Funds	-	296,940	296,940
<b>TOTAL FUND BALANCE</b>	<b>830,623</b>	<b>385,997</b>	<b>1,216,620</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,276,689</b>	<b>\$ 417,224</b>	<b>\$ 2,693,913</b>

The accompanying notes are an integral part of these financial statements.



**City of Negaunee, Michigan**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**December 31, 2004**

**Total Fund Balances for Governmental Funds**

**\$ 1,216,620**

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

2,701,626

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 10,960
Current portion of notes and contracts payable	5,000
Compensated absences	194,111
Bonds payable	69,040
Long-term contracts and notes payable	<u>51,870</u>

(330,981)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**\$ 3,587,265**

The accompanying notes are an integral part of these financial statements.

**City of Negaunee, Michigan**  
**GOVERNMENTAL FUNDS**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Federal sources	\$ 154,700	\$ -	\$ 154,700
State sources	614,596	565,721	1,180,317
Property taxes	1,319,050	-	1,319,050
Licenses and permits	318	-	318
Service charges	286,989	-	286,989
Contributions	547,070	179	547,249
Investment income	24,761	2,784	27,545
Other revenues	211,734	27,075	238,809
<b>TOTAL REVENUES</b>	<b>3,159,218</b>	<b>595,759</b>	<b>3,754,977</b>
<b>EXPENDITURES:</b>			
Current operations:			
Public affairs	371,655	-	371,655
Accounting and finance	85,326	-	85,326
Public health and safety	750,389	4,255	754,644
Public works	952,742	796,706	1,749,448
Parks and recreation	179,728	-	179,728
Cemetery	110,814	-	110,814
Library	127,974	6,922	134,896
Other governmental	1,059,245	61,292	1,120,537
Debt service			
Principal retirement	5,000	-	5,000
Interest and fiscal charges	2,820	-	2,820
Capital outlay	254,583	-	254,583
<b>TOTAL EXPENDITURES</b>	<b>3,900,276</b>	<b>869,175</b>	<b>4,769,451</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(741,058)</b>	<b>(273,416)</b>	<b>(1,014,474)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from borrowing	80,000	-	80,000
Transfers in	300,752	203,805	504,557
Transfers out	(132,805)	(96,052)	(228,857)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>247,947</b>	<b>107,753</b>	<b>355,700</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(493,111)</b>	<b>(165,663)</b>	<b>(658,774)</b>
Fund balance, beginning of year	1,323,734	551,660	1,875,394
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 830,623</b>	<b>\$ 385,997</b>	<b>\$ 1,216,620</b>

The accompanying notes are an integral part of these financial statements.

**City of Negaunee, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2004**

**Net Change in Fund Balances - Total Governmental Funds**

**\$ (658,774)**

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays  
Depreciation expense

\$ 402,575  
(138,734)

263,841

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets.

(11,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

5,000

Proceeds on borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

(80,000)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

156,643

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ (324,290)

City of Negaunee, Michigan  
 PROPRIETARY FUNDS  
 Statement of Net Assets  
 December 31, 2004

**Business- Type Activities:**  
**Enterprise Funds**

	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Cable Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 758,377	\$ 1,872,889	\$ 652,402	\$ 104,458	\$ 3,388,126
Restricted assets - cash	2,325,702	33,159	185,600	50,000	2,594,461
Accounts receivable	81,651	166,562	73,265	32,608	354,086
Allowance for uncollectible accounts	(3,300)	(9,700)	(4,300)	(1,300)	(18,600)
Special assessment receivable	451	2,481	338	-	3,270
Due from other funds	-	-	-	-	-
Unamortized bond issuance costs	82,549	-	-	-	82,549
<b>TOTAL CURRENT ASSETS</b>	<b>3,245,430</b>	<b>2,065,391</b>	<b>907,305</b>	<b>185,766</b>	<b>6,403,892</b>
Noncurrent Assets:					
Investment in U.P.P.A. Electric Utility	-	155,010	-	-	155,010
Investment in Joint Water Authority	-	-	543,875	-	543,875
Construction in progress	52,466	-	-	-	52,466
Land	-	-	-	-	-
Property, plant and equipment	8,285,170	1,761,172	8,792,544	556,683	19,395,569
Accumulated depreciation	(5,143,395)	(1,226,977)	(1,786,439)	(494,619)	(8,651,430)
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,194,241</b>	<b>689,205</b>	<b>7,549,980</b>	<b>62,064</b>	<b>11,495,490</b>
<b>TOTAL ASSETS</b>	<b>6,439,671</b>	<b>2,754,596</b>	<b>8,457,285</b>	<b>247,830</b>	<b>17,899,382</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	5,701	113,431	13,695	23,794	156,621
Accrued liabilities	-	-	35,666	-	35,666
Accrued salaries	4,319	3,533	1,963	1,178	10,993
Accrued sick and vacation leave	24,125	26,949	10,977	2,881	64,932
Customer deposits payable	-	218,496	-	-	218,496
Current portion of long-term debt	85,000	-	183,587	-	268,587
<b>TOTAL CURRENT LIABILITIES</b>	<b>119,145</b>	<b>362,409</b>	<b>245,888</b>	<b>27,853</b>	<b>755,295</b>
Noncurrent Liabilities:					
Deferred amounts on refunding	(191,498)	-	(113,204)	-	(304,702)
Revenue bonds payable	2,700,000	-	2,036,000	-	4,736,000
Contracts payable	-	-	1,581,708	-	1,581,708
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,508,502</b>	<b>-</b>	<b>3,504,504</b>	<b>-</b>	<b>6,013,006</b>
<b>TOTAL LIABILITIES</b>	<b>2,627,647</b>	<b>362,409</b>	<b>3,750,392</b>	<b>27,853</b>	<b>6,768,301</b>
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	409,241	534,195	4,941,105	62,064	5,946,605
Net Assets:					
Restricted for debt service	226,000	-	-	-	226,000
Unrestricted	3,176,783	1,857,992	(234,212)	157,913	4,958,476
<b>TOTAL NET ASSETS</b>	<b>\$ 3,812,024</b>	<b>\$ 2,392,187</b>	<b>\$ 4,706,893</b>	<b>\$ 219,977</b>	<b>\$ 11,131,081</b>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan  
**PROPRIETARY FUNDS**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended December 31, 2004

	Business- Type Activities: Enterprise Funds				
	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 866,302	\$ 1,771,959	\$ 752,452	\$ 383,894	\$ 3,774,607
Other operating revenue	3,651	11,269	4,254	10,711	29,885
<b>TOTAL OPERATING REVENUES</b>	<b>869,953</b>	<b>1,783,228</b>	<b>756,706</b>	<b>394,605</b>	<b>3,804,492</b>
<b>OPERATING EXPENSES:</b>					
Power and pumping	-	-	254	-	254
Transmission and distribution	-	262,090	96,120	85,453	443,663
Customer accounting and collection	29,727	44,771	30,060	26,611	131,169
Administrative and general	169,628	95,081	256,668	54,736	576,113
Sewage, sanitary and storm sewers	86,109	-	-	-	86,109
Wastewater treatment plant	330,760	-	-	-	330,760
Services purchased	-	985,773	-	-	1,195,208
Water meters	-	-	23,224	209,435	23,224
Provision for depreciation	195,024	48,841	222,148	9,280	475,293
<b>TOTAL OPERATING EXPENSES</b>	<b>811,248</b>	<b>1,436,556</b>	<b>628,474</b>	<b>385,515</b>	<b>3,261,793</b>
<b>OPERATING INCOME (LOSS)</b>	<b>58,705</b>	<b>346,672</b>	<b>128,232</b>	<b>9,090</b>	<b>542,699</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income	24,974	35,882	8,798	1,545	71,199
Penalties on delinquent accounts	-	12,178	-	-	12,178
Interest expense on bonds	(137,360)	-	(170,439)	-	(307,799)
Interest and tax expense	-	(4,270)	-	-	(4,270)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(112,386)</b>	<b>43,790</b>	<b>(161,641)</b>	<b>1,545</b>	<b>(228,692)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(53,681)</b>	<b>390,462</b>	<b>(33,409)</b>	<b>10,635</b>	<b>314,007</b>
Transfers in	-	24,300	-	-	24,300
Transfers (out)	-	(300,000)	-	-	(300,000)
<b>CHANGE IN NET ASSETS</b>	<b>(53,681)</b>	<b>114,762</b>	<b>(33,409)</b>	<b>10,635</b>	<b>38,307</b>
Net assets, beginning of year	3,865,705	2,277,425	4,740,302	209,342	11,092,774
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,812,024</b>	<b>\$ 2,392,187</b>	<b>\$ 4,706,893</b>	<b>\$ 219,977</b>	<b>\$ 11,131,081</b>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan  
 PROPRIETARY FUNDS  
 Statement of Cash Flows  
 For the Year Ended December 31, 2004

**Business-Type Activities:  
 Enterprise Funds**

	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net cash received from fees and charges for services	\$ 858,765	\$ 1,784,296	\$ 742,414	\$ 383,461	\$ 3,768,936
Other operating revenues	3,651	11,269	4,254	10,711	29,885
Cash payments to employees for services	(275,546)	(212,134)	(123,960)	(71,710)	(683,350)
Cash payments for payroll taxes	(20,936)	(16,122)	(9,393)	(5,424)	(51,875)
Cash payments to suppliers for goods and services	(342,662)	(1,174,622)	(290,325)	(295,686)	(2,103,295)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>223,272</b>	<b>392,687</b>	<b>322,990</b>	<b>21,352</b>	<b>960,301</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Payments (to) from other funds	-	(275,700)	-	-	(275,700)
Increase in due to other funds	-	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>(275,700)</b>	<b>-</b>	<b>-</b>	<b>(275,700)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(63,381)	(138,373)	-	(21,570)	(223,324)
Principal payment on long-term bonds	(80,000)	-	(180,801)	-	(260,801)
Interest paid on long-term bonds	(119,958)	-	(155,711)	-	(275,669)
Interest and tax expense	-	(4,270)	-	-	(4,270)
Penalties on delinquent accounts	-	12,178	-	-	12,178
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(263,339)</b>	<b>(130,465)</b>	<b>(336,512)</b>	<b>(21,570)</b>	<b>(751,886)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	24,974	35,882	8,798	1,544	71,198
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>24,974</b>	<b>35,882</b>	<b>8,798</b>	<b>1,544</b>	<b>71,198</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(15,093)</b>	<b>22,404</b>	<b>(4,724)</b>	<b>1,326</b>	<b>3,913</b>
Cash and cash equivalents, beginning of year	3,099,172	1,883,644	842,726	153,132	5,978,674
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,084,079</b>	<b>\$ 1,906,048</b>	<b>\$ 838,002</b>	<b>\$ 154,458</b>	<b>\$ 5,982,587</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 58,705	\$ 346,672	\$ 128,232	\$ 9,090	\$ 542,699
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	195,024	48,841	222,148	9,280	475,293
Change in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(7,583)	6,162	(10,108)	(433)	(11,962)
(Increase) decrease in special assessments receivable	46	(1,693)	70	-	(1,577)
Increase (decrease) in accounts payable	(13,516)	1,033	(527)	3,882	(9,128)
Increase (decrease) in payroll liabilities	(9,404)	(16,196)	(16,825)	(467)	(42,892)
Increase (decrease) in customer deposits payable	-	7,868	-	-	7,868
<b>NET ADJUSTMENTS</b>	<b>164,567</b>	<b>46,015</b>	<b>194,758</b>	<b>12,262</b>	<b>417,602</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 223,272</b>	<b>\$ 392,687</b>	<b>\$ 322,990</b>	<b>\$ 21,352</b>	<b>\$ 960,301</b>

The accompanying notes are an integral part of these financial statements.

**City of Negaunee, Michigan**  
**FIDUCIARY FUNDS**  
Statement of Fiduciary Net Assets  
December 31, 2004

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 40,199	\$ 509,045
Investments	2,009,241	-
Accounts receivable	4,522	-
Due from other funds	23,098	-
	<u>2,077,060</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>2,077,060</u>	<u>\$ 509,045</u>
<b>LIABILITIES</b>		
Due to other funds	-	\$ 364,714
Due to other governmental units	-	144,331
	<u>-</u>	<u>509,045</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 509,045</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>2,077,060</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 2,077,060</u>	

The accompanying notes are an integral part of these financial statements.

**City of Negaunee, Michigan**  
**FIDUCIARY FUNDS**  
**Statement in Changes in Fiduciary Net Assets**  
**For the Year Ended December 31, 2004**

	<b>Pension Trust Fund</b>
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 111,495
Employee	21,855
Total Contributions	<u>133,350</u>
Investment Income:	
Net appreciation (depreciation) in fair value of investments	119,927
Interest and dividends	<u>9,513</u>
Net Investment Income (Loss)	<u>129,440</u>
<b>TOTAL ADDITIONS</b>	<u>262,790</u>
<b>DEDUCTIONS:</b>	
Benefits and annuity withdrawals	106,835
Refunds of contributions	-
Administrative expense	<u>28,047</u>
<b>TOTAL DEDUCTIONS</b>	<u>134,882</u>
<b>CHANGE IN NET ASSETS</b>	127,908
Net assets, beginning of year	<u>1,949,152</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,077,060</u></u>

The accompanying notes are an integral part of these financial statements.



City of Negaunee, Michigan  
Notes to Financial Statements  
December 31, 2004

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Negaunee conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

**REPORTING ENTITY**

The City adopted a charter in accordance with the laws of the State of Michigan in 1950 and operates under a Council-Manager form of municipal government. As required by generally accepted accounting principles, these financial statements present the City of Negaunee (the primary government). Certain other governmental organizations are not considered to be part of the City entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the Negaunee Housing Commission and the Negaunee Public Schools are not included in the financial statements of the City.

**BASIS OF PRESENTATION**

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, electric, water and cable services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

#### *Governmental Funds:*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

*General Fund* - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

*Capital Projects Funds* - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Permanent Funds* – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

#### *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### *Fiduciary Funds*

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefore are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

### *Major Funds*

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.

The **Electric Fund** accounts for the activities related to electric transmission and distribution and billing for services.

The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The **Cable Fund** accounts for the activities related to operating the City Cable System and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water, sewer, and electric services are accrued as revenue in the Water, Sewer and Electric Funds based upon estimated consumption at year-end.

#### *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

### FINANCIAL STATEMENT AMOUNTS

#### Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In September, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. Prior to its adoption, a public hearing is conducted to obtain taxpayer comments.
3. The final budget shall be adopted by resolution passed by the affirmative votes of at least a majority of the Council present at the regular meeting in November.
4. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
5. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
6. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

### Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

For the purpose of the cash flow statements, the City considers all highly liquid investments with a maturity of three months or less and all certificates of deposit to be cash equivalents.

### Inventory

Inventory costs are recorded as expenditures when incurred.

### Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

### Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	40-50 years
Equipment and machinery	5-20 years
Utility plant and system	16-40 years
Infrastructure	20-50 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

### Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

### Property Taxes

Property taxes are levied on December 1 based on the taxable value of property and collected by the City. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" for use to finance current expenditures.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Negaunee because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

control.

### Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (GASB No.34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include (a) a Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations; and (b) financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (e.g. streets, bridges and sidewalks).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

## **NOTE B – RESTRICTED ASSETS:**

The Enterprise Funds have restricted assets in the amount of \$2,594,461 to retire outstanding debt and to provide for unforeseen emergencies. The total is comprised of \$2,325,702 in the Sewer Utility Fund for general purpose and bond reserve retirement accounts; \$33,159 for an emergency fund and capital acquisitions in the Electric Utility Fund; \$50,000 for an emergency fund in the Cable Utility Fund; and \$185,600 in the Water Utility Fund for the purposes stated below.

**NOTE B – RESTRICTED ASSETS (Continued):**

## Water Utility Fund Restricted Cash:

Bond Payment Fund	\$ 50,000
Bond Reserve Account	97,200
Capital Improvement Fund	<u>38,400</u>
	<u>\$185,600</u>

**NOTE C – DEPOSITS AND INVESTMENTS:**

The composition of cash and equivalents reported on the Statement of Net Assets are as follows:

	Primary Government	Fiduciary Funds	Reporting Entity
Cash and equivalents	\$4,409,996	\$40,199	\$4,450,195
Cash – restricted	<u>2,594,461</u>	-	<u>2,594,461</u>
TOTALS	<u>\$7,004,457</u>	<u>\$40,199</u>	<u>\$7,044,656</u>

A summary of the deposits by type are:

Cash in demand accounts	\$ 363,743	\$ -	\$ 363,743
Cash in savings accounts	6,640,039	40,199	6,680,238
Petty cash	<u>675</u>	-	<u>675</u>
TOTAL DEPOSITS	<u>\$7,004,457</u>	<u>\$40,199</u>	<u>\$7,044,656</u>

At year end, the reporting entity's total cash and equivalents bank balance was \$7,541,643 of which \$600,000 was insured by the Federal Deposit Insurance Corporation (FDIC) regulation number 330.8. The remaining balance of \$6,941,643 was uninsured and uncollateralized. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts:

1. All demand non-interest bearing accounts in the name of the authorized or statutory custodian of public funds.
2. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. Each bookholder is insured pro-rata for the lesser of the amount on deposit in the debt retirement account or \$100,000. Each separate debt issue or debt series is similarly insured.
4. The demand accounts and savings accounts as defined in items 1 and 2 above for those bank accounts in the name of a specific fund when all of the following criteria is applicable.



## NOTE C – DEPOSITS AND INVESTMENTS (Continued):

- a. The fund is created by a specific State statute.
- b. The functions of the fund are specified by State statute.
- c. Money is allocated by State statute for the exclusive use of that fund and statutory function.

### Investments

The City's investments are categorized below to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the City's name. Investments are carried at fair market value.

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
Pension Trust::				
Common Stocks	\$ -	\$ -	\$1,219,956	\$1,219,956
Corporate Bonds	-	-	789,285	789,285
TOTAL INVESTMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,009,241</u>	<u>\$2,009,241</u>

### Statutory Authority

Act 196, PA 1997, authorized the City to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the state of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Obligations of the state of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
6. Mutual funds registered under the Investment Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

## NOTE C – CASH AND INVESTMENTS (Continued):

The City's investments are in accordance with statutory authority.

Act 314, PA 1965, as amended, authorizes the pension trust to invest in the following categories within certain restrictions.

1. Stocks and mutual funds up to 60% of the system's assets.
2. Investments in the general or separate account of life insurance companies.
3. Fixed income securities.
4. Investments in leased real property.
5. Direct investments in property.
6. Investments in real estate loans.
7. Investments in small business or venture capital firms in Michigan.
8. Surplus funds pooled accounts.
9. Bank or trust company collective investment funds.

The City's investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

## NOTE D – INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables at December 31, 2004 are as follows:

	<u>Receivables</u>		<u>Payable</u>
General Fund	\$380,042	Local Street	\$ 15,328
		Tax Collection	<u>364,714</u>
Subtotal	<u>380,042</u>	Subtotal	<u>380,042</u>
Police Retirement System	<u>23,098</u>	General	<u>23,098</u>
TOTAL - REPORTING ENTITY	<u>\$403,140</u>	TOTAL - REPORTING ENTITY	<u>\$403,140</u>

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## NOTE E – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The transfers between funds for the year ended December 31, 2004 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	\$ 300,752	Electric Utility	\$ 300,000
		Economic Development	752
Subtotal	<u>300,752</u>	Subtotal	<u>300,752</u>
Local Street	193,805	General	122,805
		Major Street	71,000
Subtotal	<u>193,805</u>	Subtotal	<u>193,805</u>
Economic Development	10,000	General	10,000
Electric Utility	24,300	Economic Development	24,300
TOTAL REPORTING ENTITY	<u>\$ 528,857</u>	TOTAL REPORTING ENTITY	<u>\$ 528,827</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE F – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2004 is as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2004</u>
Capital assets not being depreciated:				
Land	\$1,101,635	\$ -	\$11,000	\$ 1,090,635
Capital assets being depreciated:				
Buildings	6,219,313	-	-	6,219,313
Building improvements	20,600	-	-	20,600
Equipment and vehicles	2,660,066	233,859	-	2,893,925
Infrastructure	-	168,716	-	168,716
Total Capital Assets	<u>10,001,614</u>	<u>402,575</u>	<u>11,000</u>	<u>10,393,189</u>
Less accumulated depreciation:				
Buildings	5,224,435	34,630	-	5,259,065
Building improvements	1,717	2,060	-	3,777
Equipment and vehicles	2,326,677	101,927	-	2,428,604
Infrastructure	-	117	-	117
Total Accumulated Depreciation	<u>7,552,829</u>	<u>138,734</u>	<u>-</u>	<u>7,691,563</u>
Capital Assets, Net	<u>\$2,448,785</u>	<u>\$263,841</u>	<u>\$11,000</u>	<u>\$2,701,626</u>

## NOTE F – CAPITAL ASSETS (Continued):

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Health and Safety	\$ 42,150
Public Works	54,774
Library	5,680
Unallocated	36,130
Total Depreciation Expense – Governmental Activities	<u>\$138,734</u>

A summary of changes in business-type activities capital assets as of December 31, 2004, is as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets not being depreciated:				
Construction in progress	\$ 47,396	\$5,070	\$ -	\$ 52,466
Capital assets being depreciated:				
Sewer plant and equipment	8,302,304	60,750	77,884	8,285,170
Electric system and equipment	1,693,099	118,548	50,475	1,761,172
Water plant and equipment	8,819,726	-	27,182	8,792,544
Cable system and equipment	<u>553,611</u>	<u>21,571</u>	<u>18,499</u>	<u>556,683</u>
Total Capital Assets	<u>19,416,136</u>	<u>205,939</u>	<u>174,040</u>	<u>19,448,035</u>
Less accumulated depreciation:				
Sewer plant and equipment	5,023,816	195,024	75,445	5,143,395
Electric system and equipment	1,228,611	48,841	50,475	1,226,977
Water plant and equipment	1,591,473	222,148	27,182	1,786,439
Cable system and equipment	<u>503,838</u>	<u>9,280</u>	<u>18,499</u>	<u>494,619</u>
Total Accumulated Depreciation	<u>8,347,738</u>	<u>475,293</u>	<u>171,601</u>	<u>8,651,430</u>
Capital Assets, Net	<u>\$11,068,398</u>	<u>\$(269,354)</u>	<u>\$ 2,439</u>	<u>\$10,796,605</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer system	\$195,024
Electric system	48,841
Water system	222,148
Cable system	9,280
Total Depreciation Expense – Business-type Activities	<u>\$475,293</u>

## NOTE G – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government at December 31, 2004:

Description	Balance January 1	Additions	Reductions	Balance December 31
<b>GOVERNMENTAL ACTIVITIES:</b>				
Fire Truck – Note Payable	\$ 61,870	\$ -	\$ 5,000	\$ 56,870
Fire Truck 2004 Bond	-	80,000	-	80,000
Accrued Sick & Vacation	350,754	-	156,643	194,111
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>412,624</b>	<b>80,000</b>	<b>161,643</b>	<b>330,981</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Sewer system revenue refunding bonds, series 2003	2,865,000	-	\$ 80,000	\$2,785,000
Water revenue bonds	2,092,000	-	27,000	2,065,000
Water supply system bonds	695,000	-	-	695,000
Refunding bonds - limited tax, series 1998A	1,195,096	-	153,801	1,041,295
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>6,847,096</b>	<b>-</b>	<b>260,801</b>	<b>6,586,295</b>
<b>TOTAL REPORTING ENTITY</b>	<b>\$7,259,720</b>	<b>\$80,000</b>	<b>\$422,444</b>	<b>\$6,917,276</b>

The annual principal and interest requirements are as follows:

	Government Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$15,960	\$6,623	\$268,587	\$276,316	\$284,547	\$282,939
2006	16,513	5,832	276,054	266,832	292,567	272,664
2007	18,095	4,989	290,541	256,927	308,636	261,916
2008	18,706	4,093	296,275	246,541	314,981	250,634
2009	38,726	3,167	315,648	235,682	354,374	238,849
2010-2014	28,870	2,804	1,602,190	976,511	1,631,060	979,315
2015-2019	-	-	876,000	729,269	876,000	729,269
2020-2024	-	-	1,105,000	508,372	1,105,000	508,372
2025-2029	-	-	755,000	251,501	755,000	251,501
2030-2034	-	-	466,000	129,693	466,000	129,693
2035-2037	-	-	335,000	23,154	335,000	23,154
Total	<u>\$136,870</u>	<u>\$27,508</u>	<u>\$6,586,295</u>	<u>\$3,900,798</u>	<u>\$6,723,165</u>	<u>\$3,928,306</u>

### Sanitary Sewage System Revenue Bond Payable

In November 2002, the City of Negaunee, pursuant to Act 94 of the Public Acts of Michigan, 1933, as amended, and Ordinance No. 2002, as amended, authorized the issuance of \$3,070,000 in Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 for the purpose of (1) paying the costs of the first phase of acquiring and constructing additions, extensions and improvements to the City's Sanitary Sewage Disposal System and (2) refunding all of the City's Sanitary Sewer System Revenue Bonds, Series 1978 (the "Prior Bonds"), maturing in the years 2004 to 2017, in the outstanding amount of \$1,125,000. The net proceeds of \$1,208,179 (after payment of \$93,805 in underwriting fees, insurance and other costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Prior Bonds. As a result, the Prior Bonds are considered to be defeased and the liability for those bonds has been removed from the Enterprise Funds long-term debt liability.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$163,179. This difference is being recorded in the accompanying financial

## NOTE G - LONG-TERM DEBT (Continued):

statements as a deduction from bonds payable and is being charged to operations through the year 2017 using the effective interest method.

The Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 are secured solely by the net revenues of the Sanitary Sewage System to pay the annual installments due plus interest and administrative costs, and statutory liens provided under Ordinance No. 2002. The bonds issued in denomination of \$5,000 each (\$3,070,000 original issue), dated November 27, 2002, mature annually on January 1 of each year through January 1, 2027. Interest is payable on January 1 and July 1 of each year at an average interest rate of 3.5% per annum. Scheduled payments of principal and interest are listed below:

<u>Payable In Year</u>	<u>January 1</u>		<u>July 1 Interest</u>	<u>Total</u>
	<u>Interest</u>	<u>Principal</u>		
2005	\$58,779	\$85,000	\$58,779	\$202,558
2006	57,504	85,000	57,504	200,008
2007	56,229	90,000	56,229	202,458
2008	54,879	90,000	54,879	199,758
2009	53,484	95,000	53,484	201,968
2010	51,892	95,000	51,892	198,784
2011	50,230	100,000	50,230	200,460
2012	48,430	105,000	48,430	201,860
2013	46,461	110,000	46,461	202,922
2014	44,316	110,000	44,316	198,632
2015	42,116	115,000	42,116	199,232
2016	39,730	120,000	39,730	199,460
2017	37,180	125,000	37,180	199,360
2018	34,305	135,000	34,305	203,610
2019	31,200	140,000	31,200	202,400
2020	27,980	145,000	27,980	200,960
2021	24,645	155,000	24,645	204,290
2022	21,080	160,000	21,080	202,160
2023	17,400	170,000	17,400	204,800
2024	13,320	175,000	13,320	201,640
2025	9,120	185,000	9,120	203,240
2026	4,680	195,000	4,680	204,360
Totals	<u>\$824,960</u>	<u>\$2,785,000</u>	<u>\$824,960</u>	<u>\$4,434,920</u>

### Water Supply System Revenue Bonds

In March of 1997 the City Council of the City of Negaunee, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved \$4.9 million dollars to provide for improvements to the Water Supply System. The improvements consisted of replacement of approximately twelve (12) miles of water main and other improvements to the System. Federal funds provided through the United States Department of Agriculture to defray a portion of the cost totaled \$2.908 million dollars. The City has issued revenue bonds in the amount of \$2.233

# NOTE G - LONG-TERM DEBT (Continued):

million dollars with the remainder of the financing coming from local sources. The City's bonds are secured by the net revenues derived from the operation of the Water Supply system to pay the annual installments due plus interest.

Water Supply system revenue bonds mature annually on April 1 of each year through April 1, 2037. Interest is payable semi-annually on April 1 and October 1 of each year at a rate of 4.5% per annum. Scheduled payments of principal and interest are listed below:

Payable In Year	April 1		October 1	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 46,463	\$ 29,000	\$ 45,810	\$ 121,273
2006	45,810	29,000	45,158	119,968
2007	45,158	31,000	44,460	120,618
2008	44,460	32,000	43,740	120,200
2009	43,740	34,000	42,976	120,716
2010	42,975	35,000	42,188	120,163
2011	42,187	37,000	41,355	120,542
2012	41,355	39,000	40,478	120,833
2013	40,478	40,000	39,578	120,056
2014	39,578	42,000	38,633	120,211
2015	38,633	44,000	37,643	120,276
2016	37,643	46,000	36,608	120,251
2017	36,608	48,000	35,528	120,136
2018	35,528	50,000	34,403	119,931
2019	34,403	53,000	33,210	120,613
2020	33,210	55,000	31,973	120,183
2021	31,973	57,000	30,690	119,663
2022	30,690	60,000	29,340	120,030
2023	29,340	63,000	27,923	120,263
2024	27,923	65,000	26,460	119,383
2025	26,460	69,000	24,908	120,368
2026	24,908	71,000	23,310	119,218
2027	23,310	75,000	21,623	119,933
2028	21,623	78,000	19,868	119,491
2029	19,868	82,000	18,023	119,891
2030	18,023	85,000	16,110	119,133
2031	16,110	89,000	14,108	119,218
2032	14,108	93,000	12,015	119,123
2033	12,015	97,000	9,833	118,848
2034	9,833	102,000	7,538	119,371
2035	7,538	106,000	5,153	118,691
2036	5,153	111,000	2,655	118,808
2037	2,655	118,000	-	120,655
Totals	<u>\$969,759</u>	<u>\$2,065,000</u>	<u>\$923,298</u>	<u>\$3,958,057</u>

## NOTE G - LONG-TERM DEBT (Continued):

### Refunding Bonds - Limited Tax, Series 1998A

In June of 1998, the City Council of the City of Negaunee, pursuant to the provisions of Act No. 185, Public Acts of Michigan, 1957, as amended, approved the refunding of part or all of the Marquette County Water Supply System Bonds, Series 1992 (Negaunee-Ishpeming Improvements). Interest is payable on May 1 and November 1 each year. Scheduled payments of principal and interest are listed below.

<u>Payable In Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>	
2005	\$154,587	\$21,665	\$13,545	\$189,797
2006	162,054	18,972	10,609	191,635
2007	169,541	15,957	7,619	193,117
2008	174,275	12,656	4,652	191,583
2009	186,648	9,261	1,462	197,371
2010	194,190	5,285	-	199,475
Totals	<u>\$1,041,295</u>	<u>\$83,796</u>	<u>\$37,887</u>	<u>\$1,162,978</u>

## NOTE K - ACCUMULATED UNPAID VACATION AND SICK LEAVE:

The City accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon termination in good standing, retirement, death, or disability, employees or their estates shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Vacation in any current calendar year shall be taken as earned during the previous year. If an employee is not permitted to take all of his earned vacation time before the expiration of the calendar year, he shall be entitled to take any such unused vacation time during the succeeding six months. Upon retirement, death, termination or disability, employees or their estates are paid for any unused portion of vacation allowance in the current year to the separation date at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows.



**NOTE K - ACCUMULATED UNPAID VACATION AND SICK LEAVE (Continued):**

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
ACCRUED SICK AND VACATION:			
General Fund	\$ -	\$ 2,655	\$ 2,655
Sewer Utility Fund	17,241	6,884	24,125
Electric Fund	24,164	2,785	26,949
Water Utility Fund	6,816	4,161	10,977
Cable Utility Fund	2,233	648	2,881
Governmental Activities – long-term portion	<u>156,410</u>	<u>37,701</u>	<u>194,111</u>
TOTAL	<u>\$206,864</u>	<u>\$54,834</u>	<u>\$261,698</u>

**NOTE L - DEFINED BENEFIT PENSION PLAN:**

The following information is based upon the latest available actuarial valuation (as of December 31, 2003).

Plan Description

The City contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Police Department of the City are included in a separate self-administered plan. All other full-time employees of the City are eligible to participate in the System. Benefits vest after ten years of service. City employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.25 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Funding Policy

The City is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended December 31, 2004, the City's annual pension cost of \$220,848 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 39 years.

**NOTE L - DEFINED BENEFIT PENSION PLAN (Continued):****Analysis of Funding Progress  
Three-Year Trend Information**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)-Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/01	\$7,001,965	\$5,847,821	\$1,154,144	84%	\$1,386,303	83%
12/31/02	7,411,889	5,832,467	1,579,422	79%	1,382,409	114%
12/31/03	8,051,626	6,075,487	1,976,139	75%	1,393,028	142%

**Schedule of Employer Contributions**

Fiscal Year Ending December 31	Valuation Date December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	2000	\$187,345	100%	-
2003	2001	188,064	100%	-
2004	2002	220,848	100 %	-

**NOTE M - POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN:****Summary of Significant Accounting Policies**

**Basis of Accounting** - The City of Negaunee Policemen Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

**Plan Description**

The City of Negaunee is the administrator of a single-employer public employee retirement system ("System") established and administered by the City of Negaunee to provide pension benefits for the Police Department employees. The Policemen's System is considered part of the City of Negaunee financial reporting entity and is included in the City's financial report as a pension trust fund. A separately issued actuarial report is issued and available from the City Clerk. The City's payroll for employees covered by the System for the years ended December 31, 2004, 2003 and 2002 was \$437,235; \$384,891, and \$388,834; respectively. The City's total payroll was \$2,215,231; \$2,069,486; and \$1,994,126, respectively.

**NOTE M - POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN**  
**(Continued):**

The qualifying full-time employees of the Police Department are eligible to participate in the System. Benefits vest after ten years of service. Employees who retire at or after the age of 50 with 25 or more years of credited service or age 60 regardless of service are entitled to annual retirement benefits, payable monthly for life, in an amount equal to 2.9 percent of a five-year average final compensation times the first twenty-five years of service plus 1 percent of average final compensation times years of service in excess of twenty-five years. The System also provides death and disability benefits.

Non-duty disability benefits are payable upon the total permanent disability of a member with five or more years of service. Benefits up to the age of 55 are paid equaling 1.5% of the average final compensation times the years of service. Benefits after the age of 55 are the same as benefits received from service retirement.

Disability benefits from the total or permanent disability of a member in the line of duty are payable up to the age of 55, 50% of the average final compensation. Benefits after the age of 55 are the same as benefits from service retirement with service credit from date of disability to age 55.

If an active employee dies in the line of duty, the beneficiary will receive the same amount that was paid by worker's compensation.

If an active employee with 20 or more years of service dies not in the line of duty, the surviving spouse, if any, will receive an amount equal to the accrued straight-line pension actuarially reduced in accordance with an Option 1 election.

Covered employees are required by statute to contribute five percent of their salary to the System. If an employee leaves covered employment or dies before 25 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by state statute and City ordinance.

Contributions

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended December 31, 2001, were determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities were amortized at a level percent of payroll over a period of 15 years.

During the year ended December 31, 2004, contributions totaling \$133,350 (\$111,495 employer and \$21,855 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002.

**NOTE M - POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN  
(Continued):**

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information based upon the latest available actuarial valuation (as of December 31, 2002) is as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)- Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
2000	\$1,977,422	\$1,858,889	\$118,533	94%	\$383,909	31%
2001	2,200,379	1,980,375	220,004	90%	414,699	53%
2003	2,553,784	2,130,793	422,991	83%	393,843	71%

Schedule of Employer Contributions

Fiscal Year Ending December 31	Annual Required Contribution	Percent Contributed
2000	\$102,201@	100%
2001	100,866@	100%
2002	99,744@	100%
2003	100,844@	100%

@ The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. The contribution is made based on the computed employer percent of payroll contribution applied to actual payroll throughout the year. Also included in these amounts is a 5.0% contribution for one member.

**NOTE N - DESIGNATED/RESERVED FUND BALANCE AND NET ASSETS:**

The General Fund has designated fund balances in the amount of \$288,111, representing \$194,111 for accrued sick and vacation and \$94,000 for future capital acquisitions and cultural programs.

The Special Revenue Funds have designated fund balance in the amount of \$5,000 for future infrastructure improvements.

The Enterprise Funds have restricted net assets of \$226,000 for emergency funds and future debt retirement.

## NOTE O - PROPERTY TAXES:

Property taxes levied on December 1, 2004, in the amount of \$1,280,238 were deferred since they are not "available" to finance current expenditures. The tax rate to finance general government services for the year ended December 31, 2004 (levied December 1, 2003) was 21.0429 mills per \$1,000 of assessed valuation or \$1,230,705 on the taxable value of \$58,485,561.

## NOTE P - INVESTMENT IN JOINT WATER AUTHORITY:

On July 31, 1991, the City of Negaunee and the City of Ishpeming entered into an intergovernmental agreement pursuant to both Act 35 of 1951, as amended, and Act 7 of 1967 for the purpose of creating the Negaunee-Ishpeming Water Authority Board (NIAWB), a corporate public body which shall design, construct, own, operate and maintain a joint municipal water supply system and related facility. As part of the agreement, each city was obligated to pay 50% of the preliminary engineering, design engineering, and construction bidding costs.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract, the City of Negaunee was obligated to repay \$2,860,000 over 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%.

The total cost of construction of the project was \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant; a \$500,000 Michigan Community Development Block Grant; and \$840,000 in local funds.

A portion of the original debt was refunded with the Refunding Bonds - Limited Tax, Series 1998A. The unfunded debt of the original issue has remaining principal and interest requirements as follows:

Payable In Year	Principal May 1	Interest		Total
		May 1	November 1	
2005	\$ -	\$15,638	\$15,637	\$31,275
2006	-	15,638	15,637	31,275
2007	-	15,638	15,637	31,275
2008	-	15,638	15,637	31,275
2009	-	15,638	15,637	31,275
2010	-	15,638	15,637	31,275
2011	215,000	15,638	10,800	241,438
2012	230,000	10,800	5,625	246,425
2013	250,000	5,625	-	255,625
Totals	<u>\$695,000</u>	<u>\$125,891</u>	<u>\$110,247</u>	<u>\$931,138</u>

#### **NOTE P - INVESTMENT IN JOINT WATER AUTHORITY (Continued):**

A summary of the compiled financial information of the NIWAB as of and for the year ended December 31, 2003 (the latest available financial report) is as follows:

Assets	\$1,793,587
Liabilities	10,717
Fund Equity	1,782,870
Operating Revenues	485,489
Operating Expenses	445,008
Operating Income	40,481
Net Income	69,988

The balance of the investment in Joint Water Authority for the year ended December 31, 2004 of \$543,875 represents the City's net investment in the NIAWAB.

#### **NOTE Q - JOINT VENTURE:**

In June 1988, the City of Negaunee joined with other municipalities to create the Marquette County Solid Waste Management Authority (Authority). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and any other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of Sands Township; two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners; and one (1) resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

A summary of financial information from the separately audited financial statements of the Authority for the year ended June 30, 2004 is as follows:

Assets	\$13,084,748
Liabilities	2,136,948
Net Assets	10,947,800
Operating Revenues	3,157,413
Operating Expenses	2,065,094
Outstanding Bonds Payable	1,140,000

#### **NOTE Q - JOINT VENTURE (Continued):**

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The City's pro rata share of the outstanding debt of the Authority approximates 6.7%.

#### **NOTE R - RISK MANAGEMENT:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable; therefore, the City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. This agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

#### **NOTE S - CONSTRUCTION IN PROGRESS:**

The City has begun a project to acquire and construct additions, extensions and improvements to the City's Sanitary Sewage Disposal System for which the total project cost is estimated at \$4,950,000. The project is to be financed through approximately \$3,000,000 in federal appropriations, the issuance of the 2002 refunding bond providing approximately \$1,800,000 in proceeds, and an U.S. Army Corps of Engineers grant for \$150,000.

As of December 31, 2004, total construction costs incurred amounted to \$52,466.

REQUIRED SUPPLEMENTARY INFORMATION



# City of Negaunee, Michigan

## MAJOR GOVERNMENTAL FUNDS

### GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Public Affairs, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

**City of Negaunee, Michigan**  
**GENERAL FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
<b>REVENUES:</b>					
Property Taxes:					
Current levy	\$ 1,173,509	\$ 1,173,509	\$ 1,173,647	\$ 138	\$ 1,141,517
Special levy - parks and recreation programs	58,449	58,449	58,962	513	57,270
Specific ore tax	22,697	32,697	33,278	581	30,683
Payment in lieu of taxes	23,120	23,120	23,393	273	23,981
Interest and penalties	1,500	1,500	1,316	(184)	1,386
Administrative fees	26,300	28,300	28,454	154	26,221
<b>Total Property Taxes</b>	<b>1,305,575</b>	<b>1,317,575</b>	<b>1,319,050</b>	<b>1,475</b>	<b>1,281,058</b>
Licenses and Permits	324	324	318	(6)	321
Federal Sources - grant proceeds	50,000	-	154,700	154,700	331,720
State Sources					
State grant proceeds	-	-	-	-	19,095
State shared taxes	630,000	584,400	585,842	1,442	733,608
Liquor license refunds	4,400	4,800	4,862	62	4,882
Penal fines	19,850	23,850	23,892	42	24,041
<b>Total State Sources</b>	<b>654,250</b>	<b>613,050</b>	<b>614,596</b>	<b>1,546</b>	<b>781,626</b>
Service Charges:					
Building and equipment rentals	102,400	103,000	96,459	(6,541)	105,052
Burial permits	32,000	32,000	30,780	(1,220)	39,650
Garbage collection fees	135,000	136,300	136,344	44	136,054
Sale of cemetery lots	4,500	6,500	6,715	215	3,530
Franchise fee	16,500	16,500	16,691	191	17,220
<b>Total Service Charges</b>	<b>290,400</b>	<b>294,300</b>	<b>286,989</b>	<b>(7,311)</b>	<b>301,506</b>
Contributions:					
Contributions from Highway Fund	479,000	543,400	544,588	1,188	382,101
Contributions from private sources	-	2,400	2,482	82	-
<b>Total Contributions</b>	<b>479,000</b>	<b>545,800</b>	<b>547,070</b>	<b>1,270</b>	<b>382,101</b>
Other Revenue:					
Investment income	40,000	25,000	24,761	(239)	28,295
Sale of surplus property	-	3,800	3,854	54	-
Recreation and ice arena sales	24,850	24,850	20,381	(4,469)	21,961
Traffic violations	4,800	7,000	7,096	96	5,643
Hospitalization insurance reimbursement	122,000	122,000	117,469	(4,531)	113,925
Insurance refund	13,500	15,250	15,250	-	14,460
Landfill reimbursement	35,000	36,300	36,314	14	34,759
Miscellaneous	10,000	91,200	11,370	(79,830)	10,442
<b>Total Other Revenue</b>	<b>250,150</b>	<b>325,400</b>	<b>236,495</b>	<b>(88,905)</b>	<b>229,485</b>
<b>TOTAL REVENUES</b>	<b>3,029,699</b>	<b>3,096,449</b>	<b>3,159,218</b>	<b>62,769</b>	<b>3,307,817</b>

**City of Negaunee, Michigan**  
**GENERAL FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
EXPENDITURES:					
PUBLIC AFFAIRS:					
City Manager:					
Personal services	\$ 82,500	\$ 69,600	\$ 73,012	\$ (3,412)	\$ 67,054
Defined contribution	4,000	-	-	-	4,000
Social security taxes	6,400	5,400	5,245	155	7,175
Retirement	14,000	4,500	4,430	70	25,466
Office supplies	4,500	4,500	4,564	(64)	3,715
Office equipment	500	500	161	339	1,500
Communications	4,500	4,500	4,298	202	4,528
Conference and travel	12,100	2,500	1,835	665	9,547
Repairs and maintenance	100	100	-	100	-
Dues and memberships	750	750	-	750	731
Total City Manager	129,350	92,350	93,545	(1,195)	123,716
City Council:					
Personal services	8,000	10,400	10,430	(30)	9,290
Social security taxes	620	720	714	6	673
Special services	10,000	51,000	51,324	(324)	2,260
Communications	100	100	-	100	-
Legislative publications	3,500	6,800	6,794	6	6,758
Conference and travel	5,000	8,800	8,834	(34)	3,246
Building rental	1,200	1,200	1,200	-	1,200
Dues and memberships	5,000	5,000	4,680	320	4,929
Total City Council	33,420	84,020	83,976	44	28,356
City Building:					
Personal services	36,300	34,400	35,675	(1,275)	31,581
Social security taxes	2,780	2,680	2,646	34	2,424
Retirement	5,600	5,600	5,815	(215)	4,933
Supplies	4,500	3,000	2,946	54	2,608
Utilities	7,000	4,900	4,897	3	6,065
Fuel	13,500	13,500	13,426	74	11,167
Repairs and maintenance	10,000	6,100	6,029	71	4,886
Total City Building	79,680	70,180	71,434	(1,254)	63,664
City Attorney:					
Personal services	21,600	21,600	21,600	-	18,000
Special services	1,750	27,450	27,435	15	-
Miscellaneous	1,500	1,500	1,326	174	3,058
Total City Attorney	24,850	50,550	50,361	189	21,058
City Clerk:					
Personal services	35,000	46,000	46,154	(154)	20,793
Social security taxes	2,700	2,700	3,479	(779)	1,624
Retirement	4,500	5,000	6,507	(1,507)	2,512
Office supplies	1,500	1,500	1,422	78	1,495
Audit	4,292	4,292	3,867	425	3,600
Communications	5,000	5,000	4,306	694	3,120
Conference and travel	500	500	70	430	20
Repairs and maintenance	300	300	300	-	300
Miscellaneous	-	-	-	-	-
Total City Clerk	53,792	65,292	66,105	(813)	33,464

**City of Negaunee, Michigan**  
**GENERAL FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
<b>Elections:</b>					
Personal services	\$ 3,000	\$ 2,300	\$ 2,262	\$ 38	\$ 847
Supplies	600	-	-	-	-
Office supplies	3,600	1,800	1,795	5	421
Communications	500	500	420	80	114
Printing and publishing	500	500	777	(277)	410
Repairs and maintenance	300	300	-	300	-
Office equipment	-	-	-	-	-
Total Elections	8,500	5,400	5,254	146	1,792
<b>Board of Review:</b>					
Personal services	1,250	1,250	910	340	1,000
Social security taxes	96	96	70	26	77
Total Board of Review	1,346	1,346	980	366	1,077
<b>TOTAL PUBLIC AFFAIRS</b>	<b>330,938</b>	<b>369,138</b>	<b>371,655</b>	<b>(2,517)</b>	<b>273,127</b>
<b>ACCOUNTING AND FINANCE:</b>					
<b>City Treasurer:</b>					
Personal services	11,600	15,600	15,841	(241)	8,390
Social security taxes	900	900	1,235	(335)	671
Retirement	1,500	2,500	3,010	(510)	1,104
Office supplies	1,500	1,000	752	248	776
Special services	600	600	600	-	600
Communications	2,000	2,000	1,645	355	1,768
Conference and travel	2,500	2,500	2,013	487	2,232
Repairs and maintenance	300	300	312	(12)	285
Dues and memberships	210	210	190	20	238
Miscellaneous	500	500	308	192	279
Office equipment	1,000	-	-	-	-
Total City Treasurer	22,610	26,110	25,906	204	16,343
<b>Assessment of Taxes:</b>					
Personal services	42,600	44,400	45,330	(930)	41,644
Social security taxes	3,260	3,260	3,391	(131)	3,224
Retirement	5,360	7,360	8,270	(910)	5,305
Office supplies	400	400	210	190	175
Communications	2,100	2,100	1,673	427	1,717
Conference and travel	350	350	331	19	389
Repairs and maintenance	150	150	-	150	-
Dues and memberships	250	250	215	35	165
Office equipment	-	-	-	-	-
Total Assessment of Taxes	54,470	58,270	59,420	(1,150)	52,619
<b>TOTAL ACCOUNTING AND FINANCE</b>	<b>77,080</b>	<b>84,380</b>	<b>85,326</b>	<b>(946)</b>	<b>68,962</b>
<b>PUBLIC HEALTH AND SAFETY:</b>					
<b>Police Department:</b>					
Personal services	512,600	483,800	496,356	(12,556)	453,385
Social security taxes	39,100	37,300	37,637	(337)	34,882
Retirement	119,200	114,800	116,417	(1,617)	104,716
Office supplies	2,400	2,400	1,642	758	2,151
Operating supplies	2,300	2,300	2,187	113	1,887
Office equipment	1,550	1,550	1,186	364	-
Uniforms and accessories	6,100	3,100	2,388	712	5,412

**City of Negaunee, Michigan**  
**GENERAL FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
<b>Police Department (Continued):</b>					
Animal control	\$ 500	\$ 500	\$ (441)	\$ 941	\$ -
Communications	8,800	8,800	8,430	370	8,957
Vehicle expense	14,200	14,200	13,084	1,116	15,547
Training	1,400	1,400	649	751	1,364
Conference and travel	1,200	1,200	559	641	235
Repairs and maintenance	800	800	576	224	978
Dues and memberships	600	600	646	(46)	697
Patrol equipment	4,400	4,400	3,570	830	-
Crime prevention	900	900	4	896	334
Miscellaneous	12,200	2,350	1,245	1,105	920
<b>Total Police Department</b>	<b>728,250</b>	<b>680,400</b>	<b>686,135</b>	<b>(5,735)</b>	<b>631,465</b>
<b>Fire Department:</b>					
Personal services	43,200	37,200	38,213	(1,013)	42,561
Social security taxes	3,300	3,300	2,832	468	3,256
Retirement	60	60	75	(15)	53
Operating supplies	5,500	3,100	3,085	15	3,176
Physical exams and tests	2,400	200	103	97	553
Communications	1,400	1,400	818	582	1,336
Vehicle expense	1,500	1,500	524	976	1,783
Conference and travel	3,200	1,800	1,712	88	2,653
Utilities	1,800	1,800	1,117	683	3,892
Fuel	6,800	9,800	10,062	(262)	6,697
Repairs and maintenance	5,300	5,300	4,753	547	3,014
Dues and memberships	175	175	170	5	120
Miscellaneous	1,200	1,200	790	410	16,348
<b>Total Fire Department</b>	<b>75,835</b>	<b>66,835</b>	<b>64,254</b>	<b>2,581</b>	<b>85,442</b>
<b>TOTAL PUBLIC HEALTH AND SAFETY</b>	<b>804,085</b>	<b>747,235</b>	<b>750,389</b>	<b>(3,154)</b>	<b>716,907</b>
<b>PUBLIC WORKS:</b>					
<b>Streets, Highways and Alleys:</b>					
Special services	139,000	18,000	172,297	(154,297)	500,172
Operating supplies	12,000	36,000	36,065	(65)	25,998
<b>Total Streets, Highways and Alleys</b>	<b>151,000</b>	<b>54,000</b>	<b>208,362</b>	<b>(154,362)</b>	<b>526,170</b>
<b>Bridges and Culverts:</b>					
Special services	25,000	5,100	5,011	89	21,182
<b>Total Bridges and Culverts</b>	<b>25,000</b>	<b>5,100</b>	<b>5,011</b>	<b>89</b>	<b>21,182</b>
<b>Traffic Control:</b>					
Purchased services	3,500	3,500	3,469	31	429
Operating supplies	6,000	9,000	8,942	58	8,578
Railroad signal maintenance	200	200	120	80	120
Utilities	2,000	2,000	1,841	159	1,688
<b>Total Traffic Control</b>	<b>11,700</b>	<b>14,700</b>	<b>14,372</b>	<b>328</b>	<b>10,815</b>
<b>Snow Removal and Ice Control:</b>					
Special services	10,000	-	-	-	1,648
Operating supplies	23,000	21,600	21,552	48	14,721
<b>Total Snow Removal and Ice Control</b>	<b>33,000</b>	<b>21,600</b>	<b>21,552</b>	<b>48</b>	<b>16,369</b>

**City of Negaunee, Michigan**  
**GENERAL FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
<b>Garbage Collection and Disposal:</b>					
Personal services	\$ 6,600	\$ 6,600	\$ 5,815	\$ 785	\$ 6,117
Social security taxes	505	505	445	60	467
Retirement	600	600	472	128	571
Operating supplies	100	100	-	100	-
Communications	200	200	-	200	-
Vehicle expense	-	-	-	-	-
Total Garbage Collection and Disposal	8,005	8,005	6,732	1,273	7,155
<b>County Sanitary Landfill:</b>					
Purchased services	160,000	164,500	164,435	65	161,363
Construction	13,000	-	-	-	-
Total County Sanitary Landfill	173,000	164,500	164,435	65	161,363
<b>Engineering Services:</b>					
Purchased services	38,000	15,600	15,529	71	80,449
Total Engineering Services	38,000	15,600	15,529	71	80,449
<b>Garage and Equipment:</b>					
Personal services	187,200	261,700	277,099	(15,399)	237,339
Social security taxes	17,000	17,000	20,685	(3,685)	18,423
Retirement	34,000	44,000	45,685	(1,685)	36,538
Office supplies	1,600	1,600	1,565	35	1,071
Operating supplies	8,000	8,000	10,457	(2,457)	6,935
Uniforms and accessories	5,380	5,380	3,809	1,571	2,768
Communications	4,000	4,000	3,925	75	4,498
Vehicle expense	70,000	85,100	89,385	(4,285)	81,745
Conference and travel	1,000	1,000	293	707	484
Utilities	5,000	5,000	5,186	(186)	5,318
Fuel	14,000	14,000	18,662	(4,662)	17,794
Repairs and maintenance	10,000	10,000	1,354	8,646	5,286
Total Garage and Equipment	357,180	456,780	478,105	(21,325)	418,199
<b>Curb, Gutter and Sidewalk Maintenance:</b>					
Personal services	-	-	-	-	38,754
Social security taxes	-	-	-	-	2,965
Retirement	-	-	-	-	6,038
Special services	-	200	180	20	-
Operating supplies	-	-	-	-	32,025
Total Curb, Gutter and Sidewalk Maintenance	-	200	180	20	79,782
<b>Alley Cleaning:</b>					
Personal services	8,000	9,500	9,468	32	7,602
Social security taxes	650	650	717	(67)	582
Retirement	1,200	1,600	1,573	27	1,184
Supplies	6,000	6,200	6,165	35	5,435
Total Alley Cleaning	15,850	17,950	17,923	27	14,803
<b>Street Lighting:</b>					
Purchased services	28,000	21,000	20,541	459	22,381
Total Street Lighting	28,000	21,000	20,541	459	22,381
<b>TOTAL PUBLIC WORKS</b>	<b>840,735</b>	<b>779,435</b>	<b>952,742</b>	<b>(173,307)</b>	<b>1,358,668</b>

**City of Negaunee, Michigan**  
**GENERAL FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
<b>PARKS AND RECREATION:</b>					
Parks and Recreation:					
Personal services	\$ 95,610	\$ 76,310	\$ 85,162	\$ (8,852)	\$ 82,809
Social security taxes	7,250	7,250	6,524	726	6,335
Retirement	10,100	9,300	8,439	861	6,772
Supplies	6,400	6,400	10,301	(3,901)	7,340
Special services	7,900	5,000	3,739	1,261	7,152
Utilities	24,300	24,300	21,482	2,818	24,443
Fuel	8,000	8,000	12,388	(4,388)	11,010
Repairs and maintenance	15,000	10,500	5,815	4,685	12,763
Miscellaneous	8,155	8,155	3,825	4,330	10,077
Total Parks and Recreation	182,715	155,215	157,675	(2,460)	168,701
Special Events:					
Personal services	4,300	6,700	6,932	(232)	7,185
Social security taxes	330	330	530	(200)	550
Retirement	600	600	741	(141)	798
Operating supplies	4,700	3,000	1,577	1,423	2,230
Special services	2,000	2,000	2,790	(790)	3,465
Total Special Events	11,930	12,630	12,570	60	14,228
Tree Trimming and Removal:					
Retirement	-	-	-	-	430
Special services	1,000	1,000	1,500	(500)	420
Supplies	2,500	1,300	767	533	2,970
Total Tree Trimming and Removal	3,500	2,300	2,267	33	3,820
City Band:					
Personal services	4,500	4,500	4,615	(115)	4,588
Music and supplies	400	400	609	(209)	400
Utilities	1,500	1,500	600	900	1,385
Fuel	1,400	1,400	890	510	915
Repairs and maintenance	400	400	236	164	324
Miscellaneous	250	250	266	(16)	252
Total City Band	8,450	8,450	7,216	1,234	7,864
TOTAL PARKS AND RECREATION	206,595	178,595	179,728	(1,133)	194,613
<b>CEMETERY:</b>					
Personal services	84,200	79,200	78,017	1,183	81,200
Social security taxes	6,500	6,500	5,896	604	6,232
Retirement	9,000	9,000	9,582	(582)	9,005
Operating supplies	700	700	2,510	(1,810)	975
Communications	500	500	1,353	(853)	734
Vehicle expense	2,500	2,500	2,012	488	2,666
Electricity and water	2,000	2,000	2,123	(123)	2,069
Fuel	1,000	3,500	3,555	(55)	2,198
Repairs and maintenance	6,000	6,000	5,766	234	5,496
TOTAL CEMETERY	112,400	109,900	110,814	(914)	110,575
<b>LIBRARY:</b>					
Personal services	73,000	81,700	82,262	(562)	73,308
Social security taxes	5,600	5,600	6,235	(635)	5,641
Retirement	8,400	12,500	12,548	(48)	8,036
Office supplies	2,000	2,000	2,025	(25)	1,257
Communications	10,000	7,200	7,180	20	8,070
Electricity and water	1,000	1,000	857	143	853

**City of Negaunee, Michigan**  
**GENERAL FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
<b>Library (Continued):</b>					
Conferences and travel	\$ 200	\$ 200	\$ -	\$ 200	\$ 3,499
Dues and memberships	4,000	4,000	3,999	1	15,883
Books, magazines and periodicals	15,900	12,900	12,868	32	-
Miscellaneous	1,500	-	-	-	-
<b>TOTAL LIBRARY</b>	<u>121,600</u>	<u>127,100</u>	<u>127,974</u>	<u>(874)</u>	<u>116,547</u>
<b>OTHER GOVERNMENTAL:</b>					
Downtown Development	10,000	1,000	752	248	887
Luge Project	1,150	1,150	306	844	603
Social security taxes	-	-	2,938	(2,938)	706
Group life and hospitalization insurance	845,200	845,200	817,513	27,687	739,085
Workmen's compensation insurance	21,000	21,000	26,712	(5,712)	20,940
Longevity and separation pay	26,000	46,000	46,586	(586)	24,781
Retirement benefits	-	-	6,321	(6,321)	(81)
Fire, liability and other insurance	114,599	114,599	120,199	(5,600)	165,515
Easements and leases	2,000	2,000	311	1,689	1,273
Bad debt expense	300	300	74	226	1,451
Contribution - senior citizen	15,000	15,000	15,000	-	20,890
Miscellaneous	6,600	10,100	22,533	(12,433)	2,831
<b>TOTAL OTHER GOVERNMENTAL</b>	<u>1,041,849</u>	<u>1,056,349</u>	<u>1,059,245</u>	<u>(2,896)</u>	<u>978,881</u>
<b>DEBT SERVICE:</b>					
Principal payments	5,000	5,000	5,000	-	-
Interest and fiscal charges	2,820	2,820	2,820	-	8,058
<b>TOTAL DEBT SERVICE</b>	<u>7,820</u>	<u>7,820</u>	<u>7,820</u>	<u>-</u>	<u>8,058</u>
<b>CAPITAL OUTLAY:</b>					
City building	20,000	4,500	4,414	86	627
Police department	23,000	21,400	21,302	98	51,786
Fire department	16,400	158,400	161,429	(3,029)	76,173
Garage and equipment	28,000	28,000	19,347	8,653	16,450
Parks	8,600	8,600	6,061	2,539	5,069
Cemetery	7,500	42,000	42,030	(30)	62,119
<b>TOTAL CAPITAL OUTLAY</b>	<u>103,500</u>	<u>262,900</u>	<u>254,583</u>	<u>8,317</u>	<u>212,224</u>
<b>TOTAL EXPENDITURES</b>	<u>3,646,602</u>	<u>3,722,852</u>	<u>3,900,276</u>	<u>(177,424)</u>	<u>4,038,562</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(616,903)</u>	<u>(626,403)</u>	<u>(741,058)</u>	<u>(114,655)</u>	<u>(730,745)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from borrowing	-	-	80,000	80,000	-
Operating transfers in	770,546	780,546	300,752	(479,794)	300,000
Operating transfers out	(148,643)	(149,143)	(132,805)	16,338	(26,641)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>621,903</u>	<u>631,403</u>	<u>247,947</u>	<u>(383,456)</u>	<u>273,359</u>
<b>CHANGE IN FUND BALANCE</b>	<u>5,000</u>	<u>5,000</u>	<u>(493,111)</u>	<u>(498,111)</u>	<u>(457,386)</u>
Fund balance, beginning of year	<u>1,323,734</u>	<u>1,323,734</u>	<u>1,323,734</u>	<u>-</u>	<u>1,781,120</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,328,734</u>	<u>\$ 1,328,734</u>	<u>\$ 830,623</u>	<u>\$ (498,111)</u>	<u>\$ 1,323,734</u>



OTHER FINANCIAL INFORMATION

# City of Negaunee, Michigan

## NONMAJOR GOVERNMENTAL FUNDS

### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREETS FUND, LOCAL STREETS FUND, LIBRARY STATE AID FUND, LAW ENFORCEMENT FUND, CRIME PREVENTION FUND and ECONOMIC DEVELOPMENT FUND are nonmajor special revenue fund types.

### **PERMANENT FUNDS**

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The CEMETERY FUND is a permanent fund type.

**City of Negaunee, Michigan**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Combining Balance Sheet  
December 31, 2004

	Special Revenue Funds	Permanent Funds Cemetery Trust Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 263,200	\$ 88,442	\$ 351,642
Accounts receivable, net	-	615	615
Due from other governmental units	64,967	-	64,967
<b>TOTAL ASSETS</b>	<u>\$ 328,167</u>	<u>\$ 89,057</u>	<u>\$ 417,224</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Cash overdraft	\$ 1,864	\$ -	\$ 1,864
Accounts payable	14,035	-	14,035
Due to other funds	15,328	-	15,328
<b>TOTAL LIABILITIES</b>	<u>31,227</u>	<u>-</u>	<u>31,227</u>
<b>FUND BALANCE:</b>			
Reserved for:			
Cemetery Trust	-	89,057	89,057
Unreserved, reported in:			
Special revenue funds	296,940	-	296,940
<b>TOTAL FUND BALANCE</b>	<u>296,940</u>	<u>89,057</u>	<u>385,997</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 328,167</u>	<u>\$ 89,057</u>	<u>\$ 417,224</u>

**City of Negaunee, Michigan**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2004

	Special Revenue Funds	Permanent Fund Cemetery Trust Fund	Total
<b>REVENUES:</b>			
State sources	\$ 565,721	\$ -	\$ 565,721
Contributions - other	179	-	179
Investment income	1,800	984	2,784
Other revenue	24,340	2,735	27,075
	<u>592,040</u>	<u>3,719</u>	<u>595,759</u>
<b>TOTAL REVENUES</b>			
	592,040	3,719	595,759
<b>EXPENDITURES:</b>			
Current operations:			
Public works	796,706	-	796,706
Public health and safety	4,255	-	4,255
Library	6,922	-	6,922
Community development	61,292	-	61,292
	<u>869,175</u>	<u>-</u>	<u>869,175</u>
<b>TOTAL EXPENDITURES</b>			
	869,175	-	869,175
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(277,135)</u>	<u>3,719</u>	<u>(273,416)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	203,805	-	203,805
Transfers out	(96,052)	-	(96,052)
	<u>107,753</u>	<u>-</u>	<u>107,753</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
	107,753	-	107,753
<b>CHANGE IN FUND BALANCE</b>	(169,382)	3,719	(165,663)
Fund balance, beginning of year	466,322	85,338	551,660
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 296,940</u>	<u>\$ 89,057</u>	<u>\$ 385,997</u>

**City of Negaunee, Michigan**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
Combining Balance Sheet  
December 31, 2004

<b>ASSETS</b>		Major Streets Fund	Local Streets Fund	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Total
Cash and cash equivalents	\$	8,842	\$ -	\$ 32,571	\$ 4,270	\$ 2,318	\$ 215,199	\$ 263,200
Accounts receivable, net		-	-	-	-	-	-	-
Due from other governmental units		47,775	17,192	-	-	-	-	64,967
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>56,617</b>	<b>\$ 17,192</b>	<b>\$ 32,571</b>	<b>\$ 4,270</b>	<b>\$ 2,318</b>	<b>\$ 215,199</b>	<b>\$ 328,167</b>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>LIABILITIES:</b>								
Cash overdraft	\$	-	\$ 1,864	\$ -	\$ -	\$ -	\$ -	\$ 1,864
Accounts payable		-	-	-	-	-	14,035	14,035
Due to other funds		-	15,328	-	-	-	-	15,328
<b>TOTAL LIABILITIES</b>		-	17,192	-	-	-	14,035	31,227
<b>FUND BALANCE:</b>								
Designated		-	-	-	-	-	5,000	5,000
Undesignated		56,617	-	32,571	4,270	2,318	196,164	291,940
<b>TOTAL FUND BALANCE</b>		56,617	-	32,571	4,270	2,318	201,164	296,940
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>56,617</b>	<b>\$ 17,192</b>	<b>\$ 32,571</b>	<b>\$ 4,270</b>	<b>\$ 2,318</b>	<b>\$ 215,199</b>	<b>\$ 328,167</b>

**City of Negaunee, Michigan**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2004**

	Major Streets Fund	Local Streets Fund	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Total
<b>REVENUES:</b>							
State sources	\$ 346,707	\$ 208,498	\$ 6,355	\$ 2,031	\$ 2,130	\$ -	\$ 565,721
Contributions - other	-	-	179	-	-	-	179
Investment income	1,409	-	391	-	-	-	1,800
Other revenues	-	-	-	-	-	24,340	24,340
<b>TOTAL REVENUES</b>	<b>348,116</b>	<b>208,498</b>	<b>6,925</b>	<b>2,031</b>	<b>2,130</b>	<b>24,340</b>	<b>592,040</b>
<b>EXPENDITURES:</b>							
Current operations:							
Public works	394,403	402,303	-	-	-	-	796,706
Public health and safety	-	-	-	1,500	2,755	-	4,255
Library:							
Supplies	-	-	1,180	-	-	-	1,180
Books and magazines	-	-	2,570	-	-	-	2,570
Dues and subscriptions	-	-	3,172	-	-	-	3,172
Community development	-	-	-	-	-	61,292	61,292
<b>TOTAL EXPENDITURES</b>	<b>394,403</b>	<b>402,303</b>	<b>6,922</b>	<b>1,500</b>	<b>2,755</b>	<b>61,292</b>	<b>869,175</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(46,287)</b>	<b>(193,805)</b>	<b>3</b>	<b>531</b>	<b>(625)</b>	<b>(36,952)</b>	<b>(277,135)</b>
<b>OTHER FINANCING SOURCES:</b>							
Transfers in	-	193,805	-	-	-	10,000	203,805
Transfers (out)	(71,000)	-	-	-	-	(25,052)	(96,052)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(71,000)</b>	<b>193,805</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,052)</b>	<b>107,753</b>
<b>CHANGES IN FUND BALANCE</b>	<b>(117,287)</b>	<b>-</b>	<b>3</b>	<b>531</b>	<b>(625)</b>	<b>(52,004)</b>	<b>(169,382)</b>
Fund balance, beginning of year	173,904	-	32,568	3,739	2,943	253,168	466,322
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 56,617</b>	<b>\$ -</b>	<b>\$ 32,571</b>	<b>\$ 4,270</b>	<b>\$ 2,318</b>	<b>\$ 201,164</b>	<b>\$ 296,940</b>

**City of Negaunee, Michigan**  
**MAJOR STREETS FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with Final Budget Positive (Negative)	2003 Actual
	Final Budget	Actual GAAP Basis		
<b>REVENUES:</b>				
State sources:				
Motor vehicle highway gas and weight tax	\$ 277,990	\$ 285,710	\$ 7,720	\$ 281,379
Highway maintenance contract	60,900	60,997	97	48,690
Investment income	1,400	1,409	9	1,808
<b>TOTAL REVENUES</b>	<b>340,290</b>	<b>348,116</b>	<b>7,826</b>	<b>331,877</b>
<b>EXPENDITURES:</b>				
<b>MAJOR STREET:</b>				
Administration, Engineering and Records:				
Personal services	10,100	10,110	(10)	9,657
Surface:				
Personal services	19,000	18,940	60	2,920
Social security	1,580	1,449	131	223
Retirement	3,150	3,148	2	455
Supplies	8,500	8,577	(77)	1,126
Equipment rental	22,800	22,734	66	2,455
Total Surface	55,030	54,848	182	7,179
Sweeping and Flushing:				
Personal services	4,850	4,749	101	2,932
Social security	300	363	(63)	224
Retirement	800	798	2	457
Equipment rental	12,700	12,709	(9)	9,616
Total Sweeping and Flushing	18,650	18,619	31	13,229
Tree Trimming:				
Personal services	3,250	3,249	1	1,287
Social security	250	249	1	98
Retirement	550	546	4	201
Supplies	100	61	39	694
Equipment rental	1,400	1,364	36	1,014
Total Tree Trimming	5,550	5,469	81	3,294
Storm Drains, Curb and Gutter:				
Personal services	4,500	4,694	(194)	8,828
Social security	480	359	121	675
Retirement	970	789	181	1,375
Supplies	1,100	1,069	31	425
Equipment rental	2,600	2,528	72	4,042
Total Storm Drains, Curb and Gutter	9,650	9,439	211	15,345
Traffic Signs and Pavement Markings:				
Personal services	3,500	3,419	81	2,874
Social security	410	262	148	220
Retirement	800	575	225	448
Supplies	600	593	7	963
Equipment rental	400	335	65	942
Total Traffic Signs and Pavement Markings	5,710	5,184	526	5,447

**City of Negaunee, Michigan**  
**MAJOR STREETS FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
Winter Maintenance:				
Personal services	\$ 45,200	\$ 45,230	\$ (30)	\$ 28,618
Social security	3,500	3,460	40	2,189
Retirement	7,600	7,601	(1)	4,459
Supplies	15,250	15,246	4	8,903
Equipment rental	110,000	109,952	48	80,779
Total Winter Maintenance	181,550	181,489	61	124,948
Employee benefits	39,700	39,643	57	21,227
TOTAL MAJOR STREET	325,940	324,801	1,139	200,326
TRUNKLINE:				
Administration, Engineering and Records:				
Personal services	7,000	6,860	140	6,710
Routine Maintenance:				
Personal services	500	-	500	-
Social security	38	-	38	-
Retirement	80	-	80	-
Supplies	200	-	200	-
Equipment rental	400	923	(523)	-
Total Routine Maintenance	1,218	923	295	-
Roadside Operations:				
Personal services	5,150	5,007	143	128
Social security	407	383	24	10
Retirement	794	840	(46)	20
Supplies	1,500	1,509	(9)	1,320
Equipment rental	6,000	5,955	45	-
Total Roadside Operations	13,851	13,694	157	1,478
Traffic Signs and Pavement Markings:				
Personal services	-	-	-	95
Supplies	1,850	1,841	9	1,863
Equipment rental	-	-	-	-
Total Traffic Signs and Pavement Markings	1,850	1,841	9	1,958
Winter Maintenance:				
Personal services	9,600	9,220	380	7,452
Social security	700	705	(5)	570
Retirement	1,421	1,550	(129)	1,161
Supplies	3,000	2,922	78	2,896
Equipment rental	25,300	25,277	23	23,268
Total Winter Maintenance	40,021	39,674	347	35,347



**City of Negaunee, Michigan**  
**MAJOR STREETS FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
Employee benefits	\$ 6,800	\$ 6,610	\$ 190	\$ 5,306
TOTAL TRUNKLINE	70,740	69,602	1,138	50,799
TOTAL EXPENDITURES	396,680	394,403	2,277	251,125
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(56,390)	(46,287)	10,103	80,752
OTHER FINANCING SOURCES (USES):				
Transfers in	116,390	-	(116,390)	-
Transfers (out)	(60,000)	(71,000)	(11,000)	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	56,390	(71,000)	(127,390)	(60,000)
CHANGE IN FUND BALANCE	-	(117,287)	(117,287)	20,752
Fund balance, beginning of year	173,904	173,904	-	153,152
FUND BALANCE, END OF YEAR	\$ 173,904	\$ 56,617	\$ (117,287)	\$ 173,904

**City of Negaunee, Michigan**  
**LOCAL STREETS FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
<b>REVENUES:</b>				
State sources:				
Motor vehicle highway gas and weight tax	\$ 203,597	\$ 208,498	\$ 4,901	\$ 214,716
Investment income	-	-	-	-
<b>TOTAL REVENUES</b>	<b>203,597</b>	<b>208,498</b>	<b>4,901</b>	<b>214,716</b>
<b>EXPENDITURES:</b>				
Administration, Engineering and Records:				
Personal services	10,500	10,511	(11)	10,007
Routine Maintenance:				
Personal services	19,600	19,494	106	11,933
Social security	1,480	1,491	(11)	913
Retirement	3,200	3,222	(22)	1,858
Supplies	6,700	6,759	(59)	5,203
Equipment rental	23,100	23,023	77	14,062
Total Routine Maintenance	54,080	53,989	91	33,969
Sweeping and Flushing:				
Personal services	4,100	3,894	206	2,402
Social security	240	298	(58)	184
Retirement	500	648	(148)	374
Equipment rental	12,800	12,756	44	8,539
Total Sweeping and Flushing	17,640	17,596	44	11,499
Tree Trimming:				
Personal services	7,300	7,219	81	6,539
Social security	390	552	(162)	500
Retirement	1,200	1,211	(11)	1,019
Supplies	500	315	185	1,321
Equipment rental	7,000	7,030	(30)	4,578
Total Tree Trimming	16,390	16,327	63	13,957
Storm Drains, Curb and Gutter:				
Personal services	12,400	12,554	(154)	22,715
Social security	630	960	(330)	1,738
Retirement	2,200	2,102	98	3,539
Supplies	500	145	355	8,627
Equipment rental	6,500	6,440	60	24,857
Total Storm Drains, Curb and Gutter	22,230	22,201	29	61,476
Traffic Signs and Pavement Markings:				
Personal services	4,000	3,946	54	3,916
Social security	130	302	(172)	300
Retirement	670	663	7	610
Supplies	1,000	1,064	(64)	711
Equipment rental	1,000	785	215	606
Total Traffic Signs and Pavement Markings	6,800	6,760	40	6,143

**City of Negaunee, Michigan**  
**LOCAL STREETS FUND**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2003 Actual
Winter Maintenance:				
Personal services	\$ 61,000	\$ 60,990	\$ 10	\$ 35,717
Social security	4,700	4,666	34	2,732
Retirement	10,300	10,320	(20)	5,566
Supplies	8,300	8,296	4	6,464
Equipment rental	141,700	141,634	66	79,150
Total Winter Maintenance	226,000	225,906	94	129,629
Employee benefits	49,100	49,013	87	34,677
<b>TOTAL EXPENDITURES</b>	<b>402,740</b>	<b>402,303</b>	<b>437</b>	<b>301,357</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(199,143)</b>	<b>(193,805)</b>	<b>5,338</b>	<b>(86,641)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	199,143	193,805	(5,338)	86,641
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>199,143</b>	<b>193,805</b>	<b>(5,338)</b>	<b>86,641</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# City of Negaunee, Michigan

## ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

**City of Negaunee, Michigan**  
**SEWER UTILITY FUND**  
**Statement of Net Assets**  
**December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 758,377	\$ 785,611
Restricted assets - cash	2,325,702	2,313,561
Accounts receivable	81,651	74,068
Allowance for uncollectible accounts	(3,300)	(3,300)
Special assessment receivable	451	497
Unamortized bond issuance costs	82,549	86,301
	<u>3,245,430</u>	<u>3,256,738</u>
<b>TOTAL CURRENT ASSETS</b>		
Noncurrent Assets:		
Construction in progress	52,466	47,396
Property, plant and equipment	8,285,170	8,302,304
Accumulated depreciation	(5,143,395)	(5,023,816)
	<u>3,194,241</u>	<u>3,325,884</u>
<b>TOTAL NONCURRENT ASSETS</b>		
<b>TOTAL ASSETS</b>	<u>6,439,671</u>	<u>6,582,622</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	5,701	19,217
Accrued salaries	4,319	-
Accrued sick and vacation leave	24,125	37,848
Current portion of long-term debt	85,000	80,000
	<u>119,145</u>	<u>137,065</u>
<b>TOTAL CURRENT LIABILITIES</b>		
Noncurrent Liabilities:		
Deferred amounts on refunding	(191,498)	(205,148)
Revenue bonds payable	2,700,000	2,785,000
	<u>2,508,502</u>	<u>2,579,852</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		
<b>TOTAL LIABILITIES</b>	<u>2,627,647</u>	<u>2,716,917</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	409,241	460,884
Net Assets:		
Restricted for debt service	226,000	226,000
Unrestricted	3,176,783	3,178,821
	<u>3,812,024</u>	<u>3,865,705</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,812,024</u>	<u>\$ 3,865,705</u>

**City of Negaunee, Michigan**  
**SEWER UTILITY FUND**  
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Sewer permits and revenues	\$ 860,303	\$ 868,102
Municipal departments	5,999	8,518
Other operating revenues	<u>3,651</u>	<u>192,902</u>
<b>TOTAL OPERATING REVENUES</b>	<u>869,953</u>	<u>1,069,522</u>
<b>OPERATING EXPENSES:</b>		
Provision for depreciation	195,024	195,404
Customer accounting and collection	29,727	27,756
Administrative and general	169,628	174,901
Sewage, sanitary and storm sewers	86,109	43,549
Wastewater treatment plant	<u>330,760</u>	<u>271,912</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>811,248</u>	<u>713,522</u>
<b>OPERATING INCOME (LOSS)</b>	<u>58,705</u>	<u>356,000</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	24,974	29,324
Interest expense on bonds	<u>(137,360)</u>	<u>(144,110)</u>
<b>TOTAL NONOPERATING (EXPENSES)</b>	<u>(112,386)</u>	<u>(114,786)</u>
<b>CHANGE IN NET ASSETS</b>	(53,681)	241,214
Net assets, beginning of year	<u>3,865,705</u>	<u>3,624,491</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 3,812,024</u></u>	<u><u>\$ 3,865,705</u></u>

**City of Negaunee, Michigan**  
**SEWER UTILITY FUND**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**  
**With Comparative Actual Amounts for the Year Ended December 31, 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net cash received from fees and charges for services	\$ 858,765	\$ 880,872
Other operating revenues	3,651	192,902
Cash payments to employees for services	(275,546)	(234,642)
Cash payments for payroll taxes	(20,936)	(17,997)
Cash payments to suppliers for goods and services	(342,662)	(264,832)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>223,272</u>	<u>556,303</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(63,381)	(18,294)
Principal payment on long-term bonds	(80,000)	(80,000)
Interest paid on long-term bonds	(119,958)	(122,357)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(263,339)</u>	<u>(220,651)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	24,974	29,324
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>24,974</u>	<u>29,324</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(15,093)	364,976
Cash and cash equivalents, beginning of year	3,099,172	2,734,196
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 3,084,079</u></u>	<u><u>\$ 3,099,172</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 58,705	\$ 356,000
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	195,024	195,404
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(7,583)	4,646
(Increase) decrease in special assessments receivable	46	(394)
Increase (decrease) in accounts payable	(13,516)	7,748
Increase (decrease) in payroll liabilities	(9,404)	(7,101)
<b>NET ADJUSTMENTS</b>	<u>164,567</u>	<u>200,303</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 223,272</u></u>	<u><u>\$ 556,303</u></u>

City of Negaunee, Michigan  
ELECTRIC UTILITY FUND  
Statement of Net Assets  
December 31, 2004 and 2003

	2004	2003
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,872,889	\$ 1,850,485
Restricted assets - cash	33,159	33,159
Accounts receivable	166,562	172,724
Allowance for uncollectible accounts	(9,700)	(9,700)
Special assessment receivable	2,481	788
<b>TOTAL CURRENT ASSETS</b>	<u>2,065,391</u>	<u>2,047,456</u>
Noncurrent Assets:		
Investment in U.P.P.A. Electric Utility	155,010	135,185
Property, plant and equipment	1,761,172	1,693,099
Accumulated depreciation	<u>(1,226,977)</u>	<u>(1,228,611)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>689,205</u>	<u>599,673</u>
<b>TOTAL ASSETS</b>	<u>2,754,596</u>	<u>2,647,129</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	113,431	112,398
Accrued salaries	3,533	-
Accrued sick and vacation leave	26,949	46,678
Customer deposits payable	<u>218,496</u>	<u>210,628</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>362,409</u>	<u>369,704</u>
<b>TOTAL LIABILITIES</b>	<u>362,409</u>	<u>369,704</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	534,195	464,488
Net Assets:		
Unrestricted	<u>1,857,992</u>	<u>1,812,937</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,392,187</u>	<u>\$ 2,277,425</u>



**City of Negaunee, Michigan**  
**ELECTRIC UTILITY FUND**  
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Electric charges	\$ 1,764,481	\$ 1,797,933
Pole line rental	7,478	7,478
Other operating revenues	<u>11,269</u>	<u>7,957</u>
<b>TOTAL OPERATING REVENUES</b>	<u>1,783,228</u>	<u>1,813,368</u>
<b>OPERATING EXPENSES:</b>		
Transmission and distribution	262,090	266,966
Provision for depreciation	48,841	46,296
Customer accounting and collection	44,771	49,401
Administrative and general	95,081	102,623
Services purchased	<u>985,773</u>	<u>962,185</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,436,556</u>	<u>1,427,471</u>
<b>OPERATING INCOME (LOSS)</b>	<u>346,672</u>	<u>385,897</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	35,882	28,871
Penalties on delinquent accounts	12,178	8,937
Interest and tax expense	<u>(4,270)</u>	<u>(3,506)</u>
<b>TOTAL NONOPERATING (EXPENSES)</b>	<u>43,790</u>	<u>34,302</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	390,462	420,199
Transfers in	24,300	-
Transfers (out)	<u>(300,000)</u>	<u>(982,471)</u>
<b>CHANGE IN NET ASSETS</b>	114,762	(562,272)
Net assets, beginning of year	<u>2,277,425</u>	<u>2,839,697</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,392,187</u></u>	<u><u>\$ 2,277,425</u></u>

**City of Negaunee, Michigan**  
**ELECTRIC UTILITY FUND**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**  
**With Comparative Actual Amounts for the Year Ended December 31, 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net cash received from fees and charges for services	\$ 1,784,296	\$ 1,820,782
Other operating revenues	11,269	7,957
Cash payments to employees for services	(212,134)	(206,156)
Cash payments for payroll taxes	(16,122)	(15,772)
Cash payments to suppliers for goods and services	<u>(1,174,622)</u>	<u>(1,150,196)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>392,687</u>	<u>456,615</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Payments (to) from other funds	(275,700)	(982,471)
Increase in due to other funds	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(275,700)</u>	<u>(982,471)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(138,373)	(160,476)
Interest and tax expense	(4,270)	(3,506)
Penalties on delinquent accounts	<u>12,178</u>	<u>8,937</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(130,465)</u>	<u>(155,045)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	<u>35,882</u>	<u>28,871</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>35,882</u>	<u>28,871</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	22,404	(652,030)
Cash and cash equivalents, beginning of year	<u>1,883,644</u>	<u>2,535,674</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,906,048</u></u>	<u><u>\$ 1,883,644</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 346,672	\$ 385,897
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	48,841	46,296
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	6,162	2,544
(Increase) decrease in special assessments receivable	(1,693)	(545)
Increase (decrease) in accounts payable	1,033	(34)
Increase (decrease) in payroll liabilities	(16,196)	9,085
Increase (decrease) in customer deposits payable	7,868	13,372
<b>NET ADJUSTMENTS</b>	<u>46,015</u>	<u>70,718</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 392,687</u></u>	<u><u>\$ 456,615</u></u>

**City of Negaunee, Michigan**  
**WATER UTILITY FUND**  
**Statement of Net Assets**  
**December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 652,402	\$ 674,076
Restricted assets - cash	185,600	168,650
Accounts receivable	73,265	63,157
Allowance for uncollectible accounts	(4,300)	(4,300)
Special assessment receivable	338	408
	<u>907,305</u>	<u>901,991</u>
<b>TOTAL CURRENT ASSETS</b>		
Noncurrent Assets:		
Investment in Joint Water Authority	543,875	543,875
Property, plant and equipment	8,792,544	8,819,726
Accumulated depreciation	(1,786,439)	(1,591,473)
	<u>7,549,980</u>	<u>7,772,128</u>
<b>TOTAL NONCURRENT ASSETS</b>		
<b>TOTAL ASSETS</b>	<u>8,457,285</u>	<u>8,674,119</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	13,695	14,222
Accrued liabilities	35,666	33,516
Accrued salaries	1,963	-
Accrued sick and vacation leave	10,977	29,765
Current portion of long-term debt	183,587	180,801
	<u>245,888</u>	<u>258,304</u>
<b>TOTAL CURRENT LIABILITIES</b>		
Noncurrent Liabilities:		
Deferred amounts on refunding	(113,204)	(125,782)
Contracts payable	1,581,708	1,736,295
Revenue bonds payable	2,036,000	2,065,000
	<u>3,504,504</u>	<u>3,675,513</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		
<b>TOTAL LIABILITIES</b>	<u>3,750,392</u>	<u>3,933,817</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	4,941,105	5,136,253
Net Assets:		
Unrestricted	(234,212)	(395,951)
	<u>(234,212)</u>	<u>(395,951)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 4,706,893</u>	<u>\$ 4,740,302</u>

**City of Negaunee, Michigan**  
**WATER UTILITY FUND**  
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Water charges	\$ 742,993	\$ 760,528
Municipal departments	6,549	11,344
Tapping permits	2,910	8,240
Other operating revenues	<u>4,254</u>	<u>3,239</u>
<b>TOTAL OPERATING REVENUES</b>	<u>756,706</u>	<u>783,351</u>
<b>OPERATING EXPENSES:</b>		
Power and pumping	254	223
Transmission and distribution	96,120	226,606
Provision for depreciation	222,148	222,528
Customer accounting and collection	30,060	27,733
Administrative and general	256,668	264,916
Water meters	<u>23,224</u>	<u>19,850</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>628,474</u>	<u>761,856</u>
<b>OPERATING INCOME (LOSS)</b>	<u>128,232</u>	<u>21,495</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	8,798	9,260
Interest expense on bonds	<u>(170,439)</u>	<u>(170,380)</u>
<b>TOTAL NONOPERATING (EXPENSES)</b>	<u>(161,641)</u>	<u>(161,120)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(33,409)</u>	<u>(139,625)</u>
Net assets, beginning of year	<u>4,740,302</u>	<u>4,879,927</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 4,706,893</u></u>	<u><u>\$ 4,740,302</u></u>

**City of Negaunee, Michigan**  
**WATER UTILITY FUND**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**  
**With Comparative Actual Amounts for the Year Ended December 31, 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net cash received from fees and charges for services	\$ 742,414	\$ 781,716
Other operating revenues	4,254	3,239
Cash payments to employees for services	(123,960)	(176,998)
Cash payments for payroll taxes	(9,393)	(13,559)
Cash payments to suppliers for goods and services	<u>(290,325)</u>	<u>(345,147)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>322,990</u>	<u>249,251</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Payments (to) from other funds	-	-
Increase in due to other funds	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	-	-
Principal payment on long-term bonds	(180,801)	(175,660)
Interest paid on long-term bonds	<u>(155,711)</u>	<u>(157,719)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(336,512)</u>	<u>(333,379)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	<u>8,798</u>	<u>9,260</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>8,798</u>	<u>9,260</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(4,724)</u>	<u>(74,868)</u>
Cash and cash equivalents, beginning of year	<u>842,726</u>	<u>917,594</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 838,002</u></u>	<u><u>\$ 842,726</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 128,232	\$ 21,495
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	222,148	222,528
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(10,108)	1,958
(Increase) decrease in special assessments receivable	70	(353)
Increase (decrease) in accounts payable	(527)	(2,764)
Increase (decrease) in payroll liabilities	<u>(16,825)</u>	<u>6,387</u>
<b>NET ADJUSTMENTS</b>	<u>194,758</u>	<u>227,756</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 322,990</u></u>	<u><u>\$ 249,251</u></u>

City of Negaunee, Michigan  
CABLE UTILITY FUND  
Statement of Net Assets  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 104,458	\$ 103,132
Restricted assets - cash	50,000	50,000
Accounts receivable	32,608	32,175
Allowance for uncollectible accounts	<u>(1,300)</u>	<u>(1,300)</u>
<b>TOTAL CURRENT ASSETS</b>	<u>185,766</u>	<u>184,007</u>
Noncurrent Assets:		
Property, plant and equipment	556,683	553,611
Accumulated depreciation	<u>(494,619)</u>	<u>(503,838)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>62,064</u>	<u>49,773</u>
<b>TOTAL ASSETS</b>	<u>247,830</u>	<u>233,780</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	23,794	19,912
Accrued salaries	1,178	-
Accrued sick and vacation leave	<u>2,881</u>	<u>4,526</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>27,853</u>	<u>24,438</u>
<b>TOTAL LIABILITIES</b>	<u>27,853</u>	<u>24,438</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	62,064	49,773
Net Assets:		
Unrestricted	<u>157,913</u>	<u>159,569</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 219,977</u>	<u>\$ 209,342</u>

**City of Negaunee, Michigan**  
**CABLE UTILITY FUND**  
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Cable TV subscriptions	\$ 361,778	\$ 352,582
Home box office	18,743	20,035
Cable TV installation fee	3,373	3,426
Miscellaneous	<u>10,711</u>	<u>10,040</u>
<b>TOTAL OPERATING REVENUES</b>	<u>394,605</u>	<u>386,083</u>
<b>OPERATING EXPENSES:</b>		
Transmission and distribution	85,453	66,118
Provision for depreciation	9,280	9,256
Customer accounting and collection	26,611	23,831
Administrative and general	54,736	44,703
Services purchased	<u>209,435</u>	<u>198,557</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>385,515</u>	<u>342,465</u>
<b>OPERATING INCOME (LOSS)</b>	<u>9,090</u>	<u>43,618</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	<u>1,545</u>	<u>1,320</u>
<b>TOTAL NONOPERATING REVENUES</b>	<u>1,545</u>	<u>1,320</u>
<b>CHANGE IN NET ASSETS</b>	10,635	44,938
Net assets, beginning of year	<u>209,342</u>	<u>164,404</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 219,977</u></u>	<u><u>\$ 209,342</u></u>

**City of Negaunee, Michigan**  
**CABLE UTILITY FUND**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2004  
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net cash received from fees and charges for services	\$ 383,461	\$ 372,871
Other operating revenues	10,711	10,040
Cash payments to employees for services	(71,710)	(67,964)
Cash payments for payroll taxes	(5,424)	(5,171)
Cash payments to suppliers for goods and services	<u>(295,686)</u>	<u>(256,606)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>21,352</u>	<u>53,170</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Payments (to) from other funds	-	-
Increase in due to other funds	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	<u>(21,570)</u>	<u>(2,350)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(21,570)</u>	<u>(2,350)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	<u>1,544</u>	<u>1,320</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>1,544</u>	<u>1,320</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,326	52,140
Cash and cash equivalents, beginning of year	<u>153,132</u>	<u>100,992</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 154,458</u></u>	<u><u>\$ 153,132</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>\$ 9,090</u>	<u>\$ 43,618</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,280	9,256
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(433)	(3,172)
Increase (decrease) in accounts payable	3,882	2,943
Increase (decrease) in payroll liabilities	<u>(467)</u>	<u>525</u>
<b>NET ADJUSTMENTS</b>	<u>12,262</u>	<u>9,552</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 21,352</u></u>	<u><u>\$ 53,170</u></u>



## COMPLIANCE SUPPLEMENTS



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council  
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Negaunee, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated February 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Negaunee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Negaunee, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of Negaunee's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described to management in a separate letter dated February 4, 2005.

To the Honorable Mayor and City Council  
City of Negaunee, Michigan 49866

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

February 4, 2005



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN  
ESCANABA  
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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

February 4, 2005

To the Honorable Mayor, Members of the  
City Council, and the City Manager  
City of Negaunee, Michigan 49866

In planning and performing our audit of the financial statements of the City of Negaunee for the year ended December 31, 2004, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

### REPORTABLE CONDITIONS

#### **Accumulated Sick and Vacation**

We performed a thorough review of the accumulated sick and vacation balances for the City employees based on the various union and employment contracts. It appears vacation balances have been carried forward beyond the stated length of time in the various contracts. We recommend management review the policies and consider developing a schedule whereby employees are informed quarterly of their accumulated sick and vacation balances and the length of time available to use such balances.

### OTHER COMMENTS AND RECOMMENDATIONS

The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

#### **Consulting Services**

The City has expenditures in the Economic Development Fund for consulting services for the purpose of aiding the City in obtaining federal funding for the Wastewater Treatment Plant improvements. Federal funding cannot be used to cover the expenditures related to this type of consulting services. We noted the City used its own funding to cover these consulting expenditures in 2003 and 2004. If the City continues to incur these services in future years, we caution the City not to submit these expenditures to a federal agency for reimbursement. These services must continue to be paid for with City funds.

To the Honorable Mayor, Members of the  
City Council and the City Manager  
City of Negaunee, Michigan 49866

Page 2

### **Funding Depreciation – Enterprise Funds**

In reviewing the City's Enterprise Funds it appears they are stabilizing and are accumulating cash resources. It is not uncommon for these types of funds to begin to set aside funds for future improvements, enlargements, or extensions of the existing systems. We suggest you consider this concept as you look at the future needs of your utility systems. A convenient method to accomplish this is to begin to fund the depreciation provision for future improvement needs as depreciation expense is a non-cash item.

### **ACH Policy**

The State of Michigan passed Public Act 738 of 2002 requiring local units to adopt a resolution authorizing the electronic transaction of public funds. We recommend the City adopt a written ACH policy in accordance with this State act. We are aware that such a policy was adopted subsequent to the audit.

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This report is intended solely for the information and use of the City's management, and others within the City Administration.

We appreciate and would like to thank the City's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants